

ENERGROUP HOLDINGS CORP  
Form 10-Q/A  
June 22, 2010

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2010.

or

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 or Other Jurisdiction of  
Incorporation or Organization)

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)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every, Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller reporting company

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(Do not check if a  
smaller reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act).

Yes  No

As of May 14, 2010, 21,136,391 shares of the issuer's common stock, par value \$0.001, were outstanding.

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## EXPLANATORY NOTE

We are filing this Quarterly Report on Form 10-Q/A (the “Amendment”) to amend Part I, Item 1, Financial Statements, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations, and Item 4T, Controls and Procedures, in the original Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission (the “Commission”). This Amendment has been filed to revise and correct certain disclosures in the Notes to Consolidated Financial Statements, add in the repayment plan for the \$30.6 million in aggregate borrowings due during 2010 and to disclose in detail the weaknesses in internal controls that exist at March 31, 2010, in response to the Commission’s comment letters dated May 24, 2010 and June 11, 2010.

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PART I

FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

Energroupholdings Corporation

Reviewed Consolidated Financial Statements

March 31, 2010 and December 31, 2009

(Stated in US Dollars)

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Energroupholdings Corporation

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Board of Directors and Stockholders  
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying consolidated interim balance sheets of Energroup Holdings Corporation as of March 31, 2010 and December 31, 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 2010 and 2009. These consolidated interim financial statements are the responsibility of the Company's management.

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

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

South San Francisco, California  
May 9, 2010

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

Energroup Holdings Corporation  
Consolidated Balance Sheets  
As of March 31, 2010 and December 31, 2009  
(Stated in US Dollars)

|   | Notes  | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|---|--------|-------------------------|----------------------------|
| <b>ASSETS</b>                                 |        |                         |                            |
| <b>Current Assets</b>                         |        |                         |                            |
| Cash  | 2(D)   | \$ 12,637,572           | \$ 41,984,101              |
| Restricted Cash                               | 3      | 13,879,340              | 2,176,224                  |
| Accounts Receivable                           | 2(E),4 | 23,804,756              | 39,876,187                 |
| Other Receivable                              |        | 376,481                 | 591,025                    |
| Related Party Receivable                      | 5      | -                       | -                          |
| Inventory                                     | 2(F),6 | 3,782,416               | 3,683,989                  |
| Advance to Suppliers                          | 2(G),7 | 63,142,510              | 844,964                    |
| Prepaid Expenses                              |        | 959,228                 | 30,103                     |
| Prepaid Taxes                                 |        | 631                     | 231,568                    |
| Deferred Tax Asset                            | 2(Q)   | 468,998                 | 468,922                    |
| <b>Total Current Assets</b>                   |        | <b>119,051,932</b>      | <b>89,887,082</b>          |
| <b>Non-Current Assets</b>                     |        |                         |                            |
| Property, Plant & Equipment, net              | 2(H),8 | 23,287,915              | 23,727,484                 |
| Land Use Rights, net                          | 2(I),9 | 13,105,600              | 13,175,559                 |
| Construction in Progress                      | 2(J)   | 6,703,935               | 6,692,837                  |
| <b>Total Assets</b>                           |        | <b>\$ 162,149,382</b>   | <b>\$ 133,482,962</b>      |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b> |        |                         |                            |
| <b>Current Liabilities</b>                    |        |                         |                            |
| Bank Loans                                    | 10(A)  | \$ 30,572,988           | \$ 15,942,197              |
| Notes Payable                                 | 11     | 11,702,579              | 7,312,935                  |
| Accounts Payable                              |        | 4,058,650               | 3,272,626                  |
| Taxes Payable                                 |        | 8,632,779               | 6,987,848                  |
| Other Payable                                 |        | 1,957,800               | 2,096,958                  |
| Accrued Liabilities                           |        | 1,900,222               | 1,922,103                  |
| Customer Deposits                             | 2(L)   | 2,896,615               | 2,416,615                  |
| Related Party Payable                         | 5      | 2,675,626               | 2,307,429                  |
| <b>Total Current Liabilities</b>              |        | <b>64,397,263</b>       | <b>42,258,711</b>          |
| <b>Long Term Liabilities</b>                  |        |                         |                            |
| Bank Loans                                    | 10(B)  | -                       | -                          |
| <b>Total Liabilities</b>                      |        | <b>\$ 64,397,263</b>    | <b>\$ 42,258,711</b>       |

See Notes to Financial Statements and Accountant's Report





Energroup Holdings Corporation  
Consolidated Balance Sheets  
As of March 31, 2010 and December 31, 2009  
(Stated in US Dollars)

|  | Notes   | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|--|---------|-------------------------|----------------------------|
| Stockholders' Equity   |         |                         |                            |
| Preferred Stock - \$0.001 Par Value 10,000,000 Shares Authorized; 0 Shares Issued & Outstanding at March 31, 2010 and December 31, 2009.       |         | \$ -                    | \$ -                       |
| Common Stock - \$0.001 Par Value 21,739,130 Shares Authorized; 21,136,392 Shares Issued & Outstanding at March 31, 2010 and December 31, 2009. | 11      | 21,137                  | 21,137                     |
| Additional Paid in Capital   |         | 42,530,331              | 42,530,331                 |
| Statutory Reserve  | 2(M),13 | 2,077,488               | 2,077,488                  |
| Retained Earnings  |         | 47,843,505              | 41,329,899                 |
| Accumulated Other Comprehensive Income   | 2(N)    | 5,279,658               | 5,265,396                  |
| <b>Total Stockholders' Equity</b>  |         | <b>97,752,119</b>       | <b>91,224,251</b>          |
| <b>Total Liabilities &amp; Stockholders' Equity</b>  |         | <b>\$ 162,149,382</b>   | <b>\$ 133,482,962</b>      |

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation  
Consolidated Statements of Operations  
For the three-month periods ended March 31, 2010 and 2009  
(Stated in US Dollars)

|  | Note    | For three<br>Months ended<br>March 31,<br>2010 | For three<br>Months ended<br>March 31,<br>2009 |
|--|---------|--|--|
| Sales                                      | 2(O),22 | \$ 55,510,121                                  | \$ 40,893,923                                  |
| Cost of Sales                              | 2(P)    | 47,212,872                                     | 35,169,469                                     |
| Gross Profit                               |         | 8,297,249                                      | 5,724,454                                      |
| <b>Operating Expenses</b>                  |         |  |  |
| Selling Expenses                           | 2(Q)    | 341,016  | 864,959  |
| General & Administrative Expenses          | 2(R)    | 576,370  | 559,113  |
| Total Operating Expense                    |         | 917,386  | 1,424,072                                      |
| Operating Income/(Loss)                    |         | 7,379,863                                      | 4,300,382                                      |
| <b>Other Income (Expenses)</b>             |         |  |  |
| Other Income                               |         | 9,482  | 44,606   |
| Interest Income                            |         | 2,229  | 113,235  |
| Other Expenses                             |         | (8,323)  | (46,623)                                       |
| Interest Expense                           |         | (417,898)                                      | (217,219)                                      |
| Release of Escrowed Make Good Shares       |         | -  | (3,502,152)                                    |
| Total Other Income and Expense             |         | (414,510)                                      | (3,608,153)                                    |
| Earnings before Tax                        |         | 6,965,353                                      | 692,229  |
| (Income Tax Expense)/Deferred Tax Benefit  | 2(V),15 | (451,747)                                      | (280,208)                                      |
| Net Income                                 |         | \$ 6,513,606                                   | \$ 412,021                                     |
| <b>Earnings Per Share</b>                  |         |  |  |
|  | 2(Z),18 |  |  |
| - Basic                                    |         | \$ 0.31  | \$ 0.03  |
| - Diluted                                  |         | \$ 0.31  | \$ 0.02  |
| <b>Weighted Average Shares Outstanding</b> |         |  |  |
| - Basic                                    |         | 21,136,392                                     | 17,272,756                                     |
| - Diluted                                  |         | 21,136,392                                     | 21,136,392                                     |
| <b>Comprehensive Income</b>                |         |  |  |
|  |         | For the<br>year ended<br>December 31,<br>2009  | For three<br>Months Ended<br>March 31,<br>2010 |
| Net Income                                 |         | \$ 6,054,442                                   | \$ 6,513,606                                   |
| Other Comprehensive Income                 |         |  | Accumulated<br>Totals                          |
| Foreign Currency Translation Adjustment    |         | 1,776,168                                      | 14,262   |
|  |         |  | 1,790,430                                      |

\$ 7,830,610 \$ 6,527,868 \$ 14,358,478

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation  
Consolidated Statements of Changes in Stockholders' Equity  
As of March 31, 2010 and December 31, 2009  
(Stated in US Dollars)

|   | Common<br>Shares<br>Outstanding | Common<br>Amount | Additional<br>Paid in<br>Capital | Statutory<br>Reserve | Retained<br>Earnings | Accumulated<br>Comprehensive<br>Other<br>Income | Total         |
|---|---------------------------------|------------------|----------------------------------|----------------------|----------------------|---|---------------|
| Balance at<br>January 1, 2009                 | 21,136,392                      | \$ 21,137        | \$ 26,062,337                    | \$ 2,077,488         | \$ 35,275,457        | \$ 3,489,228                                    | \$ 66,925,647 |
| Release of Shares<br>Placed in Escrow         | -                               | -                | 16,467,994                       | -                    | -                    | -   | 16,467,994    |
| Net Income                                    | -                               | -                | -                                | -                    | 6,054,442            | -   | 6,054,442     |
| Appropriations of<br>Retained<br>Earnings     | -                               | -                | -                                | -                    | -                    | -   | -             |
| Foreign Currency<br>Translation<br>Adjustment | -                               | -                | -                                | -                    | -                    | 1,776,168                                       | 1,776,168     |
| Balance at<br>December 31,<br>2009            | 21,136,392                      | \$ 21,137        | \$ 42,530,331                    | \$ 2,077,488         | \$ 41,329,899        | \$ 5,265,396                                    | \$ 91,224,251 |
| Balance at<br>January 1, 2010                 | 21,136,392                      | \$ 21,137        | \$ 42,530,331                    | \$ 2,077,488         | \$ 41,329,899        | \$ 5,265,396                                    | \$ 91,224,251 |
| Release of Shares<br>Placed in Escrow         | -                               | -                | -                                | -                    | -                    | -   | -             |
| Net Income                                    | -                               | -                | -                                | -                    | 6,513,606            | -   | 6,513,606     |
| Appropriations of<br>Retained<br>Earnings     | -                               | -                | -                                | -                    | -                    | -   | -             |
| Foreign Currency<br>Translation<br>Adjustment | -                               | -                | -                                | -                    | -                    | 14,262  | 14,262        |
| Balance at March<br>31, 2010                  | 21,136,392                      | \$ 21,137        | \$ 42,530,331                    | \$ 2,077,488         | \$ 47,843,505        | \$ 5,279,658                                    | \$ 97,752,119 |

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation  
Consolidated Statements of Cash Flows  
For the three-month periods ended March 31, 2010 and 2009  
(Stated in US Dollars)

|   | For three<br>Months ended<br>March 31,<br>2010 | For three<br>Months ended<br>March 31,<br>2009 |
|---|--|--|
| <b>Cash Flow from Operating Activities</b>                      |  |  |
| Cash Received from Customers                                    | \$ 72,276,096                                  | \$ 36,366,161                                  |
| Cash Paid to Suppliers & Employees                              | (103,990,669)                                  | (39,601,549)                                   |
| Interest Received   | 2,229  | 113,235  |
| Interest Paid (net of amount capitalized)                       | (459,049)                                      | 645,353  |
| Income Tax Paid   | 488  | (19,360)                                       |
| Miscellaneous Receipts  | 9,482  | 44,606   |
| Cash Sourced/(Used) in Operating Activities                     | (32,161,423)                                   | (2,451,554)                                    |
| <b>Cash Flows from Investing Activities</b>                     |  |  |
| Escrowed Funds from Private Placement Placed in Restricted Cash | (537)  | 2,607  |
| Increase of Funds in Restricted Cash                            | (11,702,579)                                   | -  |
| Payments for Purchases of Equipment & Construction of Plant     | (124,671)                                      | (3,481,309)                                    |
| Payments for Purchases of Intangible Assets                     | (2,371)  | (18,100)                                       |
| Payments/Withdraw of Deposits                                   | -  | (43)   |
| Cash Sourced/(Used) in Investing Activities                     | (11,830,158)                                   | (3,496,845)                                    |
| <b>Cash Flows from Financing Activities</b>                     |  |  |
| Proceeds from Bank Borrowings                                   | 14,630,790                                     | 4,390,442                                      |
| Cash Sourced/(Used) in Financing Activities                     | 14,630,790                                     | 4,390,442                                      |
| Net Increase/(Decrease) in Cash & Cash Equivalents for the Year | (29,360,791)                                   | (1,557,957)                                    |
| Effect of Currency Translation                                  | 14,262   | 1,057  |
| Cash & Cash Equivalents at Beginning of Period                  | 41,984,101                                     | 5,695,798                                      |
| Cash & Cash Equivalents at End of Period                        | \$ 12,637,572                                  | \$ 4,138,898                                   |
| <b>Non-Cash Financing Activity:</b>                             |  |  |
| Release of shares held in escrow                                | \$ -   | \$ 3,502,152                                   |

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation  
 Reconciliation of Net Income to Cash Provided/(Used) in Operating Activities  
 For the three-month periods ended March 31, 2010 and 2009  
 (Stated in US Dollars)

|  | For three<br>Months ended<br>March 31,<br>2010 | For three<br>Months ended<br>March 31,<br>2009 |
|--|--|--|
| Net Income   | \$ 6,513,606                                   | \$ 412,021                                     |
| Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities: |  |  |
| Non Cash Expense Recorded for the Release of Escrowed Shares                 | -  | 3,502,152                                      |
| Amortization   | 72,330   | 67,102   |
| Depreciation   | 553,144  | 565,157  |
| Provision for Bad Debt   | (162,338)                                      | (99)   |
| Decrease/(Increase) in Accounts Receivable                                   | 16,233,768                                     | 2,071,840                                      |
| Decrease/(Increase) in Other Receivable                                      | 214,543  | 10,494   |
| Decrease/(Increase) in Related Party Receivable                              | -  | (6,927,188)                                    |
| Decrease/(Increase) in Inventory   | (98,427)                                       | 157,249  |
| Decrease/(Increase) in Advance to Suppliers                                  | (62,297,547)                                   | (120,446)                                      |
| Decrease/(Increase) in Prepaid Taxes   | 230,937  | 127,788  |
| Decrease/(Increase) in Prepaid Expenses                                      | (929,126)                                      | (334,114)                                      |
| Decrease/(Increase) in Deferred Tax Benefit                                  | (75)   | (809)  |
| Increase/(Decrease) in Notes Payable   | 4,389,644                                      | -  |
| Increase/(Decrease) in Accounts Payable                                      | 786,024  | (3,779,839)                                    |
| Increase/(Decrease) in Taxes Payable   | 1,644,930                                      | 784,896  |
| Increase/(Decrease) in Other Payable   | (139,157)                                      | (188,377)                                      |
| Increase/(Decrease) in Related Party Payable                                 | 368,197  | -  |
| Increase/(Decrease) in Accrued Liabilities                                   | (21,877)                                       | 883,429  |
| Increase/(Decrease) in Customer Advances                                     | 480,001  | 317,190  |
| Total of all adjustments   | (38,675,029)                                   | (2,863,575)                                    |
| Net Cash Provided by/(Used in) Operating Activities                          | \$ (32,161,423)                                | \$ (2,451,554)                                 |

See Notes to Financial Statements and Accountant's Report

Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of March 31, 2010 and December 31, 2009  
And for the three-month periods ended March 31, 2010 and 2009

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 ("BVI") 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.



Energroup Holdings Corporation  
Notes to Consolidated Financial Statements  
As of March 31, 2010 and December 31, 2009  
And for the three-month periods ended March 31, 2010 and 2009

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 March 31, 2010, the detailed identities of the consolidating subsidiaries are as follows: -

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

The consolidation of these operating subsidiaries into a newly formed holding company i.e. "the Company" is permitted by United States GAAP: ARB51 paragraph 22 and 23 (FASB ASC 810 Consolidation).



Energroupholdings Corporation  
Notes to Consolidated Financial Statements  
As of March 31, 2010 and December 31, 2009  
And for the three-month periods ended March 31, 2010 and 2009

(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: -

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  |

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(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 Deposit

Customer deposit 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.



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(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.

Beginning in March 2008, the Company encouraged its independent sales agents to share the cost in marketing Chuming pork products. The Company encouraged such behavior by offering to its agents: (1) favorable credit terms, such as 45 to 60 days unsecured credit and (2) more significant discount. The Company recognizes the sales revenue directly based on the dollar amount sold to independent sales agents. In accordance to 605-50-45-2, discounts offered to independent sales agent are accounted for as reductions in revenue.

Independent sales agents are customers of the Company. They do not have the right to return products for refunds. Accordingly, the Company does not provide sales allowances for products sold to customers.

(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. Selling expense, in absolute dollars, and as a percentage of revenue, has decreased because of the coordinated effort with independent sales agents to gain higher return on marketing efforts. Refer to Note 2(O) for further details.

(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.



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(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 (FASB ASC 740), 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.

(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                          | 3/31/2010 | 12/31/2009 |
|---|-----------|------------|
| Period end RMB : US\$ exchange rate     | 6.8361    | 6.8372     |
| Average period RMB : US\$ exchange rate | 6.8360    | 6.8409     |

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.



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(Y) Earnings Per Share

The Company computes earnings per share (“EPS”) in accordance with Statement of Financial Accounting Standards No. 128, “Earnings per share” (FASB ASC 260), 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. The Company has adopted the new accounting policies and has determined that there is no material impact to the financial statements presented herein.

(Z) Recent Accounting Pronouncements

In June 2009, FASB issued FASB Statement No. 166, Accounting for Transfers for Financial Assets (FASB ASC 860 Transfers and Servicing) and FASB Statement No. 167 (FASB ASC 810 Consolidation), a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation).

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On June 30, 2009, FASB issued FASB Statement No. 168, Accounting Standards Codification™ (FASB ASC 105 Generally Accepted Accounting Principles) a replacement of FASB Statement No. 162 the Hierarchy of Generally Accepted Accounting Principles. On the effective date of this standard, FASB Accounting Standards Codification™ (ASC) became the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. If an accounting change results from the application of this guidance, an entity should disclose the nature and reason for the change in accounting principle in their financial statements. This new standard flattens the GAAP hierarchy to two levels: one that is authoritative (in FASB ASC) and one that is non-authoritative (not in FASB ASC). Exceptions include all rules and interpretive releases of the SEC under the authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants, and certain grandfathered guidance having an effective date before March 15, 1992. Statement No. 168 is the final standard that will be issued by FASB in that form. There will no longer be, for example, accounting standards in the form of statements, staff positions, Emerging Issues Task Force (EITF) abstracts, or AICPA Accounting Statements of Position. The Company has adopted and implemented the new accounting policy.

3. Restricted Cash

The restricted cash reflects funds received from the financing transaction described in Note 19 that has been held in an escrow with US Bank in the United States that requires releases authorized by the lead investor. The balance remaining in the escrow account is attributed to two criteria the Company was not able satisfy by prescribed dates in accordance to the financing transaction. The two unfilled criteria were: (1) hiring of a Chief Financial Officer within 90 days of the closing of the financing transaction that met the approval of the investors and (2) appointment of a successor auditor. If criteria (1) and criteria (2) had been met, \$1,500,000 and \$500,000 of funds would have been released to the Company, respectively. The amount in excess of the total of the \$2,000,000 million subject to the aforementioned criteria was comprised of unused funds earmarked for the payment to a third party investor relation firm from a list prescribed by the investors and any interest earned between December 31, 2007 and December 31, 2009. The amount earmarked for the investor relations firm was approximately \$170,000, and the balance of approximately \$6,000 was related to interest earned. The Company has also classified these funds as restricted because they remain in the escrow account which is subject to release by the investors. The criteria for restriction of the funds have been modified in accordance to a settlement agreement entered into by the Company and the investors in the financing transaction in Note 19, on December 30, 2009. Refer to Note 20 for further details on the settlement agreement that modifies the restrictions. The Company believes that is has properly accounted for the amount of \$2,176,760 held in escrow as restricted as of March 31, 2010 for the following two reasons: (1) the Company was not able to freely access those funds, and (1) the modification of the terms covered in the settlement agreement were subject to events that would occur subsequent to the March 31, 2010.

Included in the restricted cash of \$13,879,340, \$11,702,579 represents compensating balances held at banks to partially secure banking facilities in the form of notes payable. The imposed restrictions dictate that funds cannot be withdrawn when there are outstanding notes payable, and the funds are only allowed to be used to settle bank indebtedness. The funds deposited as compensating balances are interest bearing.



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4. Accounts Receivable

Accounts Receivable at March 31, 2010 and December 31, 2009 consisted of the following: -

|                                       | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|---------------------------------------|-------------------------|----------------------------|
| Accounts Receivable – Trade           | \$ 24,045,208           | \$ 40,278,976              |
| Less: Allowance for Doubtful Accounts | (240,452)               | (402,789)                  |
| Net Accounts Receivable               | \$ 23,804,756           | \$ 39,876,187              |

|                           | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|---------------------------|-------------------------|----------------------------|
| Allowance for Bad Debts   |                         |                            |
| Beginning Balance         | \$ (402,789)            | \$ (188,495)               |
| Allowance Provided        | -                       | (214,294)                  |
| Charged Against Allowance | -                       | -                          |
| Reversal*                 | 162,337                 | -                          |
| Ending Balance            | \$ (240,452)            | \$ (402,789)               |

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. As of March 31, 2010, the Company has not had any receivables that were unrecoverable.

Accounts receivable aging analysis at March 31, 2010 and December 31, 2009: -

|               | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|---------------|-------------------------|----------------------------|
| 1-30 Days     | \$ 12,591,025           | \$ 17,757,223              |
| 30-60 Days    | 5,305,588               | 12,643,466                 |
| 61-90 Days    | 2,383,173               | 5,004,370                  |
| 91-120 Days   | 352,405                 | 4,833,711                  |
| 121-365 Days  | 3,413,017               | 40,206                     |
| Over 365 Days | -                       | -                          |
| Total         | \$ 24,045,208           | \$ 40,278,976              |

The Company believes it has provided adequate provisions for doubtful accounts. As of May 22, 2010, we had received settlement of more than 70% of the Accounts Receivable that were between 121-365 days outstanding. The Company believes that the subsequent settlement of accounts provides further evidence that its allowance for bad debt was adequate. In the past, the Company has not experienced any accounts that have become uncollectible. As a result of the Company's position in its industry and the type of products that it sells, which are considered consumer staples, it can exert significant influence and bargaining power on its customers, which includes, among others, the collection of outstanding accounts. If in the event that the Company's customers do not pay, they will be faced with the

consequence that the Company will cease to supply its products to them, and that the Company can take legal action to recover losses.

\*The Company has corrected an error in disclosure. The \$162,337 was previously described as a specific write off of uncollectible amounts, show in the "Charged Against Allowance" line item detailed above; this amount reflects a reversal of the allowance provided by the Company based on its gross accounts receivable outstanding. The amount has been classified as a "Reversal". In accordance with SFAS 154 and SAB 99, the Company believes this correction of error is immaterial both quantitatively and qualitatively. There was no impact to the Company's financial position, result of operations, and cash flows for the periods presented.

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5. Related Party Receivable and Payable

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 (FASB ASC 210-20), 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 payable balance of \$2,675,626 at March 31, 2010 is shown in the following table.

| Ref. | Subsidiary Due to: | Nature of Balance                                   | Related Party                                       | Balance      | Description of Transaction   |
|------|--------------------|---|---|--------------|--|
| A    | Food               | Sale of Products resulting in Trade Receivable from | Dalian Huayu Seafood Food Co., Ltd.                 | \$ 5,516,296 | Food Co. sold cooked food to Huayu dating back to 1/2007.  |
|      |                    | Subtotal of Related Party Sales                     |   | 5,516,296    |  |
| B    | Food               | Loan Receivable from                                | Dalian Fodder Co., Ltd.                             | 256,715      | Food Co. advanced prepayment to Fodder Co. for purchase of raw materials dating back to 7/2009   |
| C    | Food               | Loan Receivable from                                | Dalian Mingxing Livestock Product Co., Ltd.         | 183,285      | Food Co. purchased material on behalf of Mingxing Dating back to 6/2009                          |
| D    | Food               | Loan Receivable from                                | Dalian Chuming Industrial Development Co., Ltd.     | 21,962,912   | Food Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 1/2008 |
| E    | Food               | Loan Receivable from                                | Dalian Chuming Trading Co., Ltd                     | 7,021,547    | Food Co. paid material on behalf of Trading dating back to 3/2010                                |
| F    | Meat               | Loan Receivable from                                | Dalian Chuming Industrial Development Co., Ltd.     | 6,172,349    | Meat Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 4/2009 |
| G    | Meat               | Loan Receivable from                                | Dalian Chuming Stockbreeding Combo Development Co., | 2,364,732    | Prepayment to Stockbreeding Combo for Purchase of hogs dating back to 7/2008.                    |



|   |       |                      |  |   |
|---|-------|----------------------|--|---|
|   |       | Ltd.                 |  |   |
| H | Sales | Loan Receivable from | Dalian Huayu Seafood Co., Ltd.                           | 2,717,126 Sales Co. help Huayu purchase materials dating back to 9/2008.  |
| I | Sales | Loan Receivable from | Dalian Chuming Group Co., Ltd.                           | 8,357,926 Sales Co. purchased hogs and paid general and administrative expenses on behalf of Group dating back to 7/2008. |
| J | Sales | Loan Receivable from | Dalian Chuming Stockbreeding Combo Development Co., Ltd. | 15,927,008 Sales Co. paid for Stockbreeding to buy hogs from farmer dating back 7/2008                                    |
| K | Sales | Loan Receivable from | Dalian Chuming Industrial Development Co., Ltd.          | 5,594,980 Sales Co. purchased materials for Industrial Co. dating back to 7/2009  |
|   |       |                      | Subtotal loans to related parties                        | 70,558,580  |
|   |       |                      | Gross related party receivables                          | \$ 76,074,876   |

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| Subsidiary | Ref. | Due from: | Nature of Balance                                       | Related Party  | Balance      | Description of Transaction  |
|------------|------|-----------|---|--|--------------|---|
|            | L    | Meat      | Purchase of Raw Materials resulting in Trade Payable to | Dalian Chuming Stockbreeding Combo Development Co., Ltd. | \$ 8,487,806 | Meat Co. purchased of hogs from Stockbreeding Combo dating back to 12/2009            |
|            | M    | Meat      | Purchase of Raw Materials resulting in Trade Payable to | Dalian Chuming Group Co., Ltd.                           | 28,895,745   | Purchase of hogs from Group dating back to 7/2008.                                    |
|            |      |           | Subtotal of Purchases from Related Parties              |  | 37,383,551   |   |
|            | N    | Food      | Loan Payable to   | Dalian Chuming Group Co., Ltd.                           | 1,566,161    | Food borrowed from Group to purchase materials dating back to 4/2009.                 |
|            | O    | Food      | Loan Payable to   | Dalian Chuming Stockbreeding Combo Development Co., Ltd. | 2,047,951    | Stockbreeding Combo bought raw materials on behalf of Food Co. dating back to 4/2009  |
|            | P    | Food      | Loan Payable to   | Dalian Huayu Seafood Co., Ltd.                           | 8,425,912    | Food Company collected customer deposits on behalf of Huayu Co. dating back to 7/2009 |
|            | Q    | Meat      | Loan Payable to   | Dalian Chuming Group Co., Ltd.                           | 7,314,119    | Group loaned to Meat Co. dating back to 4/2009  |
|            | R    | Meat      | Loan Payable to   | Dalian Huayu Seafood Co., Ltd.                           | 2,950,978    | Huayu Co. loaned to Meat Co. dating back to 7/2009                                    |
|            | S    | Meat      | Loan Payable to   | Dalian Mingxing Livestock Product Co., Ltd.              | 610,716      | Mingxing Co. paid the operation expense on behalf of Meat Co., dating back to 7/2009  |
|            | T    | Meat      | Loan Payable to   | Dalian Chuming Fodder Co., Ltd.                          | 1,259,958    | Fodder Co. paid the fodder materials on behalf of Meat dating back to 3/2010          |
|            | U    | Sales     | Loan Payable to   | Dalian Mingxing Livestock Product Co. Ltd.,              | 1,602,016    | Sales Co. collected bank loans on behalf of Mingxing dating back to 8/2008            |
|            | V    | Sales     | Loan Payable to   | Dalian Chuming Fodder Co., Ltd.                          | 5,071,862    | Fodder Co. bought materials on behalf of Sales Co. dating back to 4/2009              |
|            | W    | WFOE      | Loan Payable to   | Dalian Chuming Group Co.                                 | 10,517,278   | Group loaned funds to WFOE (includes funds transferred from Meat for US RTO.)         |
|            |      |           | Subtotal of Loans from Related Parties                  |  | 41,366,951   |   |

|   |              |
|---|--------------|
| Gross Related Party Payable   | 78,750,502   |
| Setoff Related Party Payable (Receivables have been set-off against Payables) | \$ 2,675,626 |

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- A. The Food Company sold USD 5.5 million (RMB 37.71 million) cooked food to Huayu Company on credit.
- B. Food Company prepaid USD 256 thousand (RMB 1.75 million) to Fodder Company in third quarter of 2009 for the purchase of raw materials.
- C. Food Co. purchased material USD 183 thousand (RMB 1.25 Million) on behalf of Mingxing dating back to 6/2009
- D. Food Company paid USD 21.96 million (RMB 150 million) bank loan principal and interest on behalf of Industrial Development Company.
- E. Food Co. paid USD 7 million (RMB 48 million) for materials on behalf of Trading Company.
- F. Meat Co. paid USD 6.17 million (RMB 42.2 million) bank loan principal and interest on behalf Industrial Development Company.
- G. The prepayment of USD 2.36 million (RMB 16.16 million) from Meat Company to the Stockbreeding Combo Development Company was for the purchase of hogs.
- H. Sales Company bought USD 2.7 million (RMB 18.6 million) raw materials on behalf of Huayu Seafood Company.
- I. The balance of USD 8.35 million (RMB 57.13 million) receivable from Chuming Group to Sales Company was for the payments of hogs and operation expense.
- J. Sales Company help the Combo Development Company to pay USD 15.9 million (RMB 109 million) to local farmers for the purchase of hogs.
- K. Sales Company purchased USD 5.6 million (RMB 38 million) materials for Industrial Development Company.
- L. The balance of USD 8.48 million (RMB 58 million) payment owed by the Meat Company to Chuming Stockbreeding Combo Development Company was for the purchase of hogs.
- M. The Group sold hogs to Meat Co. for 28.9 million (RMB 197.5 million).
- N. Food borrowed USD 1.56 million (RMB 10.7 million) from Group to purchase materials
- O. Stockbreeding Combo Development Company purchased USD 2 million (RMB 14 million) for Food Company.
- P. Food Company collected USD 8.43 million (RMB 57 million) customer deposits on behalf of Huayu Seafood Company.
- Q. Meat Company borrowed USD 7.3 million (RMB 50 million) operation funds from Chuming Group.
- R. Meat Company borrowed USD 2.9 million (RMB 20 million) operation funds from Huayu Seafood Company.

S.Mingxing Livestock Company paid USD 611 thousand (RMB 4.1 million) general and administrative expenses for Meat Company.

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- T. Fodder Co. paid USD 1.26 million (RMB 8.61 million) the fodder materials on behalf of Meat Company.
- U. Sales Company collected USD 1.6 Million (RMB 10.9 million) bank loans on behalf of Mingxing Livestock Company.
- V. Fodder Company bought USD 5.1 million (RMB 34.67 million) materials on behalf of Sales Company.
- W. The outstanding payable balance of USD 10.5 million (RMB 71 million) due to the Group has been transferred to the books of Chuming.

The related party payable 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 (FASB ASC 850) which calls for the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period. The Company's accounting system in the past was manual and accordingly is not able to, from a cost benefit perspective, summarize and provide further detail on the related party transactions. Also, the Company's current accounting department does not have sufficient staff in order to perform and exercise to further detail the related party payables and receivables beyond what has been provided above; however the Company is taking steps to update its accounting systems and methods to provide fuller detail regarding these transactions for future periods. The Company does represent that the balances disclosed above are both accurate and reliable within acceptable thresholds of materiality.

The Company's related party receivables and payables in the period presented were in the form of either short-term loans bearing no interest, or trade payables and receivables relating to the purchase of raw materials, supplies or products for which payment was due within a short period of time.

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## 6. Inventory

|                  | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|------------------|-------------------------|----------------------------|
| Raw Materials    | \$ 688,814              | \$ 1,479,197               |
| Work in Progress | 100,717                 | 95,051                     |
| Finished Goods   | 2,992,885               | 2,109,741                  |
|                  | \$ 3,782,416            | \$ 3,683,989               |

## 7. Advance to Suppliers

At March 31, 2010, the Company had \$63,142,510 advance to suppliers, of which \$62,519,089 representing 99.02% paid by the Company's subsidiary Meat Company to the Chuming Group on March 25, 2010 for the purchase of 300,000 hogs in consummation of the hog purchase agreement described in Note 16.

## 8. Property, Plant &amp; Equipment

| At<br>March 31, 2010:   | Cost          | Accumulated<br>Depreciation | Net           |
|-------------------------|---------------|-----------------------------|---------------|
| Buildings               | \$ 21,737,261 | \$ (4,605,799)              | \$ 17,131,462 |
| Manufacturing Equipment | 10,025,111    | (4,467,176)                 | 5,557,935     |
| Office Equipment        | 480,907       | (418,882)                   | 62,026        |
| Vehicles                | 916,258       | (680,144)                   | 236,114       |
| Furniture & Fixture     | 525,408       | (225,029)                   | 300,378       |
|                         | \$ 33,684,945 | \$ 10,397,030               | \$ 23,287,915 |

| At<br>December 31, 2009: | Cost          | Accumulated<br>Depreciation | Net           |
|--------------------------|---------------|-----------------------------|---------------|
| Buildings                | \$ 21,661,732 | \$ (4,341,813)              | \$ 17,319,919 |
| Manufacturing Equipment  | 9,983,958     | (4,227,442)                 | 5,756,516     |
| Office Equipment         | 473,623       | (397,488)                   | 76,135        |
| Vehicles                 | 926,735       | (664,628)                   | 262,107       |
| Furniture & Fixture      | 525,323       | (212,516)                   | 312,807       |
|                          | \$ 33,571,371 | \$ (9,843,887)              | \$ 23,727,484 |

## 9. Land Use Right

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

|                          | At<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|--------------------------|-------------------------|----------------------------|
| Land Use Rights, at Cost | \$ 14,737,521           | \$ 14,735,150              |

|                                |               |               |
|--------------------------------|---------------|---------------|
| Less: Accumulated Amortization | (1,631,921)   | (1,559,591)   |
|                                | \$ 13,105,600 | \$ 13,175,559 |



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## 10. Bank Loans

## (A) Short Term Bank Loans

At March 31, 2010 and December 31 2009, the Company had the following short-term loans outstanding:

| Bank   | Interest Rate | Due Date   | At<br>March 31,<br>2010 |
|--|---------------|------------|-------------------------|
| Bank of China - Liaoning Branch                  | 5.841%        | 12/12/2010 | \$ 4,388,467            |
| Bank of China - Liaoning Branch                  | 6.16%         | 10/27/2010 | 2,047,951               |
| Shanghai Pudong Development Bank - Dalian Branch | 5.841%        | 11/25/2010 | 4,388,467               |
| Shanghai Pudong Development Bank - Dalian Branch | 5.841%        | 7/16/2010  | 5,851,289               |
| Agricultural Bank of China - Wafangdian Branch   | 5.832%        | 10/30/2010 | 4,388,467               |
| Huaxia Bank - Dalian Branch                      | 5.576%        | 1/6/2010   | 7,314,112               |
| Bank of East Asia - Dalian Branch                | 7.33%         | 10/22/2010 | 2,194,235               |
|  |               |            | \$ 30,572,988           |

| Bank   | Interest Rate | Due Date   | At<br>December 31,<br>2009 |
|--|---------------|------------|----------------------------|
| Bank of China - Liaoning Branch                  | 5.841%        | 11/11/2010 | \$ 2,252,384               |
| Bank of China - Liaoning Branch                  | 5.841%        | 11/18/2010 | 2,135,377                  |
| Bank of China - Liaoning Branch                  | 5.841%        | 10/27/2010 | 2,047,620                  |
| Agricultural Bank of China - Wafangdian Branch   | 5.310%        | 10/30/2010 | 2,925,174                  |
| Shanghai Pudong Development Bank - Dalian Branch | 5.841%        | 7/16/2010  | 4,387,761                  |
| Bank of East Asia - Dalian Branch                | 7.33%         | 10/22/2010 | 2,193,881                  |
|  |               |            | \$ 15,942,197              |

The loans provided by the Bank of China are 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 Agricultural Bank and Shanghai Pudong Development Bank loans have been guaranteed by the Dalian Chuming Group Co., Ltd. Both the CEO Mr. Shi Huashan and Dalian Chuming Group Co., Ltd. have guaranteed the loan from Bank of East Asia.

## (B) Bank Loan through Group

The Company obtained a loan of \$20,466,901 (RMB 160,000,000) from Dalian Chuming Group Co., Ltd; 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. Dalian Chuming Group Co., Ltd. ("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 Dalian Chuming Group Co., Ltd 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.

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At December 31, 2007, the Company repaid its debt, in its entirety to Dalian Chuming Group Co. Ltd 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 19. The balances are now owed by Dalian Chuming Group Co. Ltd 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.

11. Notes Payable

Notes payable consisted of the followings:-

| Notes to   | Due Date  | At<br>March 31,<br>2010 |
|--|-----------|-------------------------|
| Shanghai Pudong Development Bank - Liaoning Branch | 5/18/2010 | \$ 7,314,112            |
| Huaxia Bank  | 7/22/2010 | 4,388,467               |
|  |           | \$ 11,702,579           |

| Notes to   | Due Date  | At<br>December 31,<br>2009 |
|--|-----------|----------------------------|
| Shanghai Pudong Development Bank - Liaoning Branch | 5/18/2010 | \$ 7,312,935               |
|  |           | \$ 7,312,935               |

The Notes do not carry a stated interest rate but do carry a specific due date. These notes are negotiable documents issued by financial institutions on the Company's behalf to vendors. These notes can either be endorsed by the Vendor to other third parties as payment, or prior to coming due, they can discount these notes to other financial institutions. These notes are short term in nature so the Company does not calculate an imputed interest on them. These notes are collateralized by the Company's deposits as described in Note 3. Restricted Cash.

12. Capitalization

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

| Name of Shareholder          | Number of<br>Shares | Common<br>Stock<br>Capital | Additional<br>Paid in<br>Capital | Equity % |
|------------------------------|---------------------|----------------------------|----------------------------------|----------|
| Operating Companies Founders | 14,688,948          | \$ 14,689                  | \$ 29,486,367                    | 69.50%   |
| PRE-RTO Shell Shareholders   | 422,756             | 423                        | -                                | 2.00%    |
| Advisors & Consultants       | 2,161,052           | 2,161                      | -                                | 10.22%   |
| Private Investors            | 3,863,636           | 3,864                      | 13,043,964                       | 18.28%   |
|                              | 21,136,392          | \$ 21,137                  | \$ 42,530,331                    | 100.00%  |



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13. 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<br>March 31,<br>2010 | At<br>December 31,<br>2009 |
|--|-------------------------|----------------------------|
| PRC Registered Capital   | 15,566,849              | 15,566,849                 |
| - Statutory Reserve Ceiling based on 50% of Registered Capital | 7,783,424               | 7,783,424                  |
| Less: - Retained Earnings appropriated to Statutory Reserve    | (2,077,488)             | (2,077,488)                |
| Reserve Commitment Outstanding                                 | \$ 5,705,936            | \$ 5,705,936               |

14. Advertising Costs

Advertising expenses were \$60,098 and \$47,124 for the three-month periods ended March 31, 2010 and 2009, respectively.

15. Income Taxes

The Company and its subsidiaries are subject to income tax under the jurisdictions under which they operate. The following table details the Company and its subsidiaries, and the statutory tax rates to which they are subject:

| Entity  | Country of Domicile | Income Tax Rate |
|---|---------------------|-----------------|
| Energroup Holdings Corporation                                | USA                 | 15.00% - 35.00% |
| Precious Sheen Investments Limited                            | BVI                 | 0.00%           |
| Dalian Chuming Precious Sheen Investment Consulting Co., Ltd. | PRC                 | 25.00%          |
| Dalian Chuming Slaughtering & Pork Packaging Co. Ltd.         | PRC                 | 25.00%          |
| Dalian Chuming Processed Foods Co. Ltd.                       | PRC                 | 25.00%          |
| Dalian Chuming Sales Co. Ltd.                                 | PRC                 | 25.00%          |

As shown in the table above, Dalian Chuming Slaughtering & Pork Packaging Co. Ltd., Dalian Chuming Processed Foods Co. Ltd., Dalian Chuming Sales Co. Ltd., and Dalian Chuming Precious Sheen Investment Consulting Co. operate in the PRC. They generate substantially all of the profits for the Company. The Company expects that these subsidiaries will only be subject to PRC taxes in the foreseeable future, because the Company has not yet established a plan to repatriate its earnings to the United States.



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Although the Companies PRC subsidiaries are subject to statutory income tax rates detailed above, the individual effective tax rates for each subsidiary vary significantly.

Dalian Chuming Slaughtering & Pork Packaging Co. Ltd. has been given special tax-free status by the PRC government because of the Company's standing as leader in its industry in Dalian. Accordingly, the Company has not made a provision for income taxes in the PRC for the three-month periods ended March 31, 2010 and 2009.

Dalian Chuming Processed Foods Co. Ltd has provided for income taxes for the three-month periods ended March 31, 2010 and 2009 in the amounts of \$451,747 and \$280,208, respectively.

Dalian Chuming Sales Co. Ltd. has not provided for income taxes in years 2010 and 2009 because it has incurred operating losses for those respective years. The Company has chosen to derecognize its deferred tax assets arising from net operating losses in prior periods by expensing the asset to the income tax expense account. The amounts expense related to de-recognition of deferred tax assets for the years ended December 31 2009 and 2008 were \$176,191 and \$11,246 respectively. Management made the decisions of de-recognition based on new information such as changes in market conditions and the further streamlining of the Company's business. Management does not believe that previously accrued deferred tax assets will be used to reduce taxes payables at any point in the foreseeable future. Management deemed the use of a valuation allowance inappropriate based on the circumstances in accordance to guidance provided under ASC 740-10-40.

Although the Company is subject to United States income taxes, it is a holding company with no operations or profits within the US borders. The Company currently only incurs expenses in the United States that are associated with being a public company.

After accounting for special tax-free status and net operating loss of aforementioned subsidiaries, the consolidated taxable earnings were determined, and the consolidated tax expenses were as follows: -

|     |      |             |           |
|-----|------|-------------|-----------|
| i.  | 2010 | Tax expense | (451,747) |
| ii. | 2009 | Tax expense | (280,208) |

16. Commitments

It is company policy to develop plant facilities based on availability of cash resources without incurring capital commitments. Therefore, the Company did not have any capital commitments existing at March 31, 2010 except for the commitment to have the construction in progress finished.

On December 19, 2007, the Company entered into a hog purchase agreement whereby the Dalian Chuming Group Co., Ltd will provide at fair market price a minimum number of hogs to the Company. At March 31, 2010, the Company expects minimum quantities of hogs detailed in the following table:

| Year                | Hogs    | Price Per Hog | Amount      |
|---------------------|---------|---------------|-------------|
| 2010 (April to Dec) | 666,735 | \$ 205.84     | 137,240,732 |

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.



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17. 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.

Below is a presentation of the Company's results of operations and financial position for its operating subsidiaries at December 31, 2009 and 2008, 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<br>For the period ended<br>March 31, 2009 | Meat<br>Company | Food<br>Company | Sales<br>Company | WFOE,<br>PSI, &<br>Eliminations | Total         |
|---|-----------------|-----------------|------------------|---------------------------------|---------------|
| Sales   | \$ 39,423,641   | \$ 5,387,671    | \$ 12,366,527    | \$ (16,283,916)                 | \$ 40,893,923 |
| Cost of Sales   | (34,409,997)    | 3,968,091       | (13,075,296)     | 16,283,916                      | (35,169,469)  |
| Gross Profit  | 5,013,643       | 1,419,580       | (708,769)        | -                               | 5,724,454     |
| Operating (Loss)/Profit   | 4,763,599       | 1,244,811       | (1,586,117)      | (121,911)                       | 4,300,382     |
| Other Income (Expense)  | (24,620)        | (63,141)        | (18,676)         | (3,501,716)                     | (3,608,153)   |
| Earnings before Tax   | 4,738,979       | 1,181,670       | (1,604,793)      | (3,623,628)                     | 692,229       |
| (Income Tax Expense)  | -               | (280,208)       | -                | -                               | (280,208)     |
| Extraordinary Expense   | -               | -               | -                | -                               | -             |
| Net Income  | \$ 4,738,979    | \$ 901,462      | \$ (1,604,793)   | \$ (3,623,628)                  | \$ 412,021    |

Eliminated Intercompany Sales of Products Sold

Three-month periods ended March 31, 2009

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

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| Results of Operations<br>For the period ended<br>March 31, 2010 | Meat<br>Company | Food<br>Company | Sales<br>Company | WFOE,<br>PSI, &<br>Eliminations | Total         |
|---|-----------------|-----------------|------------------|---------------------------------|---------------|
| Sales   | \$ 52,075,237   | 7,547,628       | 4,406,044        | \$ (8,518,787)                  | \$ 55,510,121 |
| Cost of Sales   | (45,788,964)    | (5,456,549)     | (4,486,146)      | 8,518,787                       | (47,212,872)  |
| Gross Profit  | 6,286,273       | 2,091,079       | (80,103)         | -                               | 8,297,249     |
| Operating (Loss)/Profit   | 6,036,600       | 1,884,253       | (421,542)        | (119,448)                       | 7,379,863     |
| Other Income (Expense)  | (356,530)       | (62,573)        | 6,947            | (2,354)                         | (414,510)     |
| Earnings before Tax   | 5,680,070       | 1,821,680       | (414,595)        | (121,802)                       | 6,965,353     |
| (Income Tax Expense)  | -               | (451,747)       | -                | -                               | (451,747)     |
| Extraordinary Expense   | -               | -               | -                | -                               | -             |
| Net Income  | 5,680,070       | 1,369,933       | (414,595)        | (121,802)                       | 6,513,606     |

## Eliminated Intercompany Sales of Products Sold

Three-month periods ended March 31, 2010

| Sold From:   | Sold To:      | Amount       |
|--------------|---------------|--------------|
| Food Company | Sales Company | \$ 2,200,250 |
| Meat Company | Sales Company | 2,256,409    |
| Meat Company | Food Company  | 4,062,128    |
|              |               | \$ 8,518,787 |

| Financial Position<br>At<br>December 31, 2009 | Meat<br>Company | Food<br>Company | Sales<br>Company | WFOE,<br>PSI, &<br>Eliminations | Total          |
|---|-----------------|-----------------|------------------|---------------------------------|----------------|
| Current Assets                                | \$ 175,070,968  | \$ 54,889,689   | \$ 32,573,276    | \$ (172,646,851)                | \$ 89,887,082  |
| Non Current Assets                            | 24,795,021      | 18,567,360      | 232,971          | 528                             | 43,595,880     |
| Total Assets                                  | 199,865,989     | 73,457,049      | 32,806,247       | (172,646,323)                   | 133,482,962    |
| Current Liabilities                           | 123,737,988     | 61,796,444      | 40,265,515       | (183,541,236)                   | 42,258,711     |
| Total Liabilities                             | 123,737,988     | 61,796,444      | 40,265,515       | (183,541,236)                   | 42,258,711     |
| Net Assets                                    | 76,128,001      | 11,660,605      | (7,459,268)      | 10,894,913                      | 91,224,251     |
| Total Liabilities & Net Assets                | \$ 199,865,989  | \$ 73,457,049   | \$ 32,806,247    | \$ (172,646,323)                | \$ 133,482,962 |



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| Financial Position<br>At<br>March 31, 2010 | Meat<br>Company | Food<br>Company | Sales<br>Company | WFOE,<br>PSI, &<br>Eliminations | Total          |
|--|-----------------|-----------------|------------------|---------------------------------|----------------|
| Current Assets                             | \$ 157,130,484  | \$ 60,883,143   | \$ 40,835,827    | \$ (139,797,523)                | \$ 119,051,932 |
| Non Current Assets                         | 24,481,882      | 18,406,638      | 208,542          | 387                             | 43,097,450     |
| Total Assets                               | 181,612,366     | 79,289,781      | 41,044,369       | (139,797,135))                  | 162,149,382    |
| Current Liabilities                        | 99,792,104      | 66,257,380      | 48,919,429       | (150,571,650)                   | 64,397,263     |
| Total Liabilities                          | 99,792,104      | 66,257,380      | 48,919,429       | (150,571,650)                   | 64,397,263     |
| Net Assets                                 | 81,820,262      | 13,032,400      | (7,875,060)      | 10,774,515                      | 97,752,119     |
| Total Liabilities & Net Assets             | 181,612,366     | 79,289,781      | 41,044,369       | (139,797,135)                   | 162,149,382    |

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18. Earnings Per Share

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

|  | For the<br>Three months<br>March 31,<br>2010 | For the<br>Three months<br>March 31,<br>2009 |
|--|--|--|
| Net Income (A)   | \$ 6,513,606                                 | \$ 412,021                                   |
| Basic Weighted Average Shares Outstanding (B)  | 21,136,392                                   | 17,272,756                                   |
| Dilutive Shares:   |  |  |
| - Addition to Common Stock from Exercise of Placement Warrants                             | -  | -  |
| - Addition to Common Stock from Contingent Shares Held in Escrow (Please refer to Note 19) | -  | 3,863,636                                    |
| Diluted Weighted Average Shares Outstanding: (C)   | 21,136,392                                   | 21,136,392                                   |
| Earnings Per Share:  |  |  |
| - Basic (A)/(B)  | \$ 0.31                                      | \$ 0.03                                      |
| - Diluted (A)/(C)  | \$ 0.31                                      | \$ 0.02                                      |
| Weighted Average Shares Outstanding:   |  |  |
| - Basic  | 21,136,392                                   | 17,272,756                                   |
| - Diluted  | 21,136,392                                   | 21,136,392                                   |

19. 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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20. Financing Transaction

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

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

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

Concurrently with the Exchange Agreement, Energroup also entered into a Securities Purchase Agreement (the “Purchase Agreement”) pursuant to which Energroup agreed to issue and sell 3,863,636 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 March 31, 2010, the Company had adequate authorized capital to issue common shares upon the exercise of the warrant.

At March 31, 2010, the total number of shares outstanding, on a fully diluted basis, is shown in the following table:

|  |            |
|--|------------|
| i. Common shares outstanding prior to offering of securities | 17,272,756 |
| ii. Common shares issued under securities purchase agreement | 3,863,636  |
|  | 21,136,392 |
| Common shares issuable upon exercise of placement agent      |            |
| iii. warrants  | 386,364    |
|  | 21,522,756 |



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Concurrent with the Company's financing transaction, the Company agreed to register for resale the common shares that were sold under the securities purchase agreement. Pursuant to filing a Form S-1 registration statement with the U.S. Securities and Exchange Commission, the Company entered into a Registration Rights Agreement with the Investors. The agreement calls for liquidated damages to be paid by the Company, if in the event the registration statement is not declared effective within 135 days of the closing of the financing transaction. The liquidated damages will be 1% of the total financing amount in cash per month for each month after the 135 period. The agreement stated 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 (FASB ASC 815-15). Under such accounting treatment, the liquidated damages were 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. The terms of the financing transaction have been amended under a settlement agreement entered into on December 30, 2009. Under the settlement agreement, if certain requirements are met by the Company by prescribed dates, the liquidated damages may be waived and the funds may be released to the Company. If the Company does not meet the requirements by the prescribed dates, the Company may still be required to pay the liquidated damages from the escrow account that has been classified as restricted cash on the Company's balance sheet. Refer to Note 20 for further detail regarding the settlement agreement.

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 were to be released back to him if the Company met 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. The Company met the aforementioned targets. In accordance with SFAS 128, Earnings per Share (FASB ASC 260), 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 were not included in the weighted average basic shares outstanding for three months end March 31, 2009, but are included in the weighted average diluted shares outstanding for the same period. The escrowed shares have been released to the Chairman and CEO; therefore, for the three months ended March 31, 2010, the 3,863,636 have been included in both basic and diluted weighted average shares outstanding. Please refer to Note 17.

In accordance with Topic 5.T of the Staff Accounting Bulletins (SAB 79), the Company had recorded compensatory expense for shares to be released from escrow by charging the Company's earnings and recording a corresponding increase to the Company's contributed paid in capital. The Company recorded \$3,502,152 for the three months ended March 31, 2009. The terms and conditions related to the signatures required to release the shares in escrow back to the Chairman and CEO have been modified under the settlement agreement. Refer to Note 20.

21. Settlement Agreement

On December 30, 2009, the Company entered into a settlement agreement with certain investors in its 2007 private placement of common stock, refer to Note 19. Pursuant to the terms of settlement agreement, the Company had agreed with the investors to appoint a new Chief Financial Officer, appoint independent directors to serve on the Company's board of directors, and have Registration Statement effective by March 31, 2010 (these requirements are referred to as the "Public Company Requirements"), except that the Company has the right to extend the deadline to have the Registration Statement declared effective until May 15, 2010, if the reviewed financial statements at September 30,



2009 included in the Registration Statement are no longer current and the audited financial statements as of and for the year ended December 31, 2009 must be included in the Registration Statement.

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The Company believes it has satisfied all of the criteria set forth in the settlement agreement described above except for its Form S-1 Registration Statement that has yet to be declared effective by the US SEC as of May 14, 2010. The Company has sought an extension from majority investors for the Registration Statement declare effectiveness deadline until June 30, 2010.

22.

Sales

Chinese National Pork Reserve

In 2009, the PRC government established the Chinese National Pork Reserve with the mission of: (1) avoiding the risk of a supply shortage of pork, and (2) maintaining an orderly market for pork. The Chinese National Pork Reserve will be comprised of facilities located in eleven different cities nationwide. Dalian was selected as one of the eleven cities to host a facility.

On June 15, 2009, the Company's operating subsidiary, Meat Company, after passing a qualification process, was selected to be a supplier to the Chinese National Pork Reserve; accordingly, the Company signed a long-term supplier agreement with the Chinese National Pork Reserve. Under the terms of the agreement, the Company is to supply 30,000,000 kg of fresh pork to the Chinese National Pork Reserve, annually. The agreement provides guidelines whereby the facility must use up and replenish 10,000,000 kg of fresh meat (approximately 150,000 hogs) every four months. The Company's 2010 first quarter sales was \$55,510,121 of which \$2,987,622 (RMB 20,423,385), representing 5.39% of total sales, consisted of fresh pork sold to the Chinese National Pork Reserve.

Subsidy

The Company's operating subsidiary, Food Company, received grants of \$29,257 from the Dalian City government in February 2010. The subsidy was given to the Company for the support of its environment protection contribution.

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

Note Regarding Forward-Looking Statements

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

planned.

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

In this Form 10-Q, references to “we”, “our”, “us”, “our company”, “Energroup” or the “Registrant” refer to Energroup 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 5.5%) in the first quarter of 2010.

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

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

As of March 31, 2010, we had 735 employees, of whom 388 were operating personnel, 258 were sales personnel, 37 were research and development personnel and 52 were administrative personnel.

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

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

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

Pork is widely regarded as China’s most important source of meat and is consumed at a much higher rate than other categories of meat. We believe that increasing levels of consumption of pork products in China is linked to the rapid development of the Chinese economy, urbanization and strong income growth.

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

Our total sales volume was 25,713 metric tons in the first quarter of 2010, as compared to 18,512 metric tons in the first quarter of 2009.

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. Due to a shortage in supply, live hog prices rose significantly in 2008. However, during the first half of 2009, the average pork price declined as compared to the average price during the same periods in December 2008. The decline in pork prices was due to a decline in demand which was the result of wide public perception that the swine flu epidemic in late April and early May affected the health and quality of pork produced during such time. In June 2009, in response to the decline in pork prices and demand, the Chinese government purchased and placed into storage large quantities of pork products. This was done to help reduce public fear that the pork supplies were contaminated due to the swine flu epidemic in an effort to cause the pork price to rebound to a reasonable level. This action by the PRC government helped to regain consumer confidence to increase the purchase of pork

products, and as the demand began to rise, the prices of pork began to rise again in July 2009, and by the end of the year ultimately rose to a level higher than the prices seen during the first half of 2009.

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

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

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

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

Our top five customers accounted for 40.23% of our total sales for the first quarter of 2010. We plan to position our business to diversify our customer base, which is expected to lower this percentage gradually in the future.

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

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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



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

#### Method of Accounting

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

#### Principles of Consolidation

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

Our founders have directly or indirectly owned the three operating subsidiaries since their inception. We also own two intermediary holding companies. As of March 31, 2010, the detailed identities of the consolidating subsidiaries are as follows:

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

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

#### Use of Estimates

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



### Accounts Receivable

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

### Inventory Carrying Value

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

### Property, Plant, and Equipment

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

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

| Fixed Asset Classification          | Useful Life |
|-------------------------------------|-------------|
| 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     |

### Land Use Rights

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

### Customer Deposits

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

## Statutory Reserve

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

## Earnings Per Share

We compute earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per share" ("FASB ASC 260"), and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). FASB ASC 260 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.

For the three months ended March 31, 2010, the Company has increased both its basic and diluted weighted average shares outstanding by 3,863,636 shares. For EPS purposes, these shares which are owned by the Chairman and Chief Executive Officer were previously reported in the Company's 2009 and 2008 financial statements as contingent shares because they were held in an escrow account in accordance to the Company's financing agreement in 2007, which was subsequently modified on December 30, 2009. These shares have been released out of escrow, and as such are accounted for as outstanding in calculating both basic and diluted EPS. Other than the aforementioned shares, no other stock has been issued by the Company during the three months ended March 31, 2010. Additionally, the weighted average price for the Company's common stock during the three month period was lower than the exercise price for the outstanding warrants issued to the placement agent from the 2007 financing transaction, the effect of the warrants have been excluded from the calculation of diluted EPS, because their potential exercise would have been anti-dilutive in nature.

## Recent Accounting Pronouncements

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

## RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2010 and March 31, 2009.

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

|                                   | March 31,<br>2010 | % of<br>Sales | March 31,<br>2009 | % of<br>Sales |
|-----------------------------------|-------------------|---------------|-------------------|---------------|
| Sales                             | \$ 55,510,121     | 100%          | \$ 40,893,923     | 100.00%       |
| Cost of Sales                     | (47,212,872)      | 85.05%        | (35,169,469)      | 86.00%        |
| Gross Profit                      | 8,297,249         | 14.95%        | 5,724,454         | 14.00%        |
| Selling Expenses                  | 341,016           | 0.61%         | 864,959           | 2.12%         |
| General & Administrative Expenses | 576,370           | 1.04%         | 559,113           | 1.37%         |

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|  |              |        |             |        |
|--|--------------|--------|-------------|--------|
| Total Operating Expense                        | 917,386      | 1.65%  | 1,424,072   | 3.48%  |
| Operating Income / (Loss)                      | 7,379,863    | 13.29% | 4,300,382   | 10.52% |
| Other Income (Expense)                         | (414,510)    | 0.75%  | (3,608,153) | 8.82%  |
| Earnings Before Tax                            | 6,965,353    | 12.55% | 692,229     | 1.69%  |
| (Income Tax Expense) / Deferred Tax<br>Benefit | (451,747)    | 0.81%  | (280,208)   | 0.69%  |
| Net Income                                     | \$ 6,513,606 | 11.73% | \$ 412,021  | 1.00%  |
| Earnings Per Share                             |              |        |             |        |
| Basic  | \$ 0.31      |        | \$ 0.03     |        |
| Diluted  | 0.31         |        | 0.02        |        |
| Weighted Average Shares<br>Outstanding         |              |        |             |        |
| Basic  | 21,136,392   |        | 17,272,756  |        |
| Diluted  | 21,136,392   |        | 21,182,756  |        |

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Sales. Our sales include revenues from sales of our fresh pork, frozen pork, and processed food products. During the quarter ended March 31, 2010, we had sales of \$55,510,121 as compared to sales of \$40,893,923 for the quarter ended March 31, 2009, an increase of approximately 35.7%. Our sales for our various product categories in the first quarter of 2010 are summarized as follows:

| Sales by product category, in dollars: | First Quarter 2010<br>(amount) | % of<br>Total<br>Sales | First Quarter<br>2009<br>(amount) | % of<br>Total<br>Sales | % of<br>increase<br>from<br>2009 to<br>2010 |
|--|--------------------------------|------------------------|-----------------------------------|------------------------|---|
| Fresh Pork                             | \$ 44,711,975                  | 80.55%                 | \$ 31,550,154                     | 77.15%                 | 41.72%                                      |
| Frozen Pork                            | \$ 3,279,742                   | 5.91%                  | 3,956,106                         | 9.67%                  | -17.10%                                     |
| Processed Food Products                | \$ 7,518,404                   | 13.54%                 | 5,387,663                         | 13.17%                 | 39.55%                                      |
| Total Sales                            | \$ 55,510,121                  | 100%                   | 40,893,293                        | 100%                   | 35.74%                                      |

|                         | First Quarter<br>2010<br>(Weight in<br>tons) | % of<br>Total Sales | First Quarter<br>2009<br>(Weight in<br>tons) | % of<br>Total Sales | % of change<br>from<br>2009 to 2010 |
|-------------------------|--|---------------------|--|---------------------|-------------------------------------|
| Fresh Pork              | 21,010                                       | 81.71%              | 14,245                                       | 76.95%              | 47.49%                              |
| Frozen Pork             | 2,362  | 9.19%               | 2,581  | 13.94%              | -8.49%                              |
| Processed Food Products | 2,341  | 9.10%               | 1,686  | 9.11%               | 38.85%                              |
| Total Sales             | 25,713                                       | 100%                | 18,512                                       | 100%                | 38.90%                              |

We believe that the increases in sales revenue and sales volume in fresh pork and processed food products arises from our increase in our overall number of sales agents, and our expansion of the geographic coverage of our sales agent network. We have also stimulated sales through our sales agents have by extending sales discounts to them. Furthermore, there has been continuing strength in consumer demand for these products in the periods presented. For frozen pork, our sales volume decreased by 8.49% in the first quarter of 2010 and our sales revenue for this product category decreased 17.10% as compared to the same period in 2009. We attribute this decrease in the sale of frozen pork products to our increased use of agents (who mainly sell fresh pork), and see it also as reflective of a trend among end-users for fresh pork products, given the improvements in logistics and distribution in the supply chain and health and nutritional concerns..

In the first quarter of 2010, we slightly raised our average per-kilogram sale price for processed food products and decreased our average per-kilogram sale prices for fresh pork and frozen pork to our customers. These changes were inline with changes in the market price for these products. In the first quarter of 2010, our sales volume by weight of fresh pork increased as compared to the first quarter of 2009. For processed food products, our sales by weight increased by 38.85%, but because of slightly higher average per-kilogram prices to customers, our sales revenue for this product category increased by 39.55%.

The following table shows the change in the average price per kilogram for our product to consumers in the quarter ending March 31, 2010, as compared to the same quarter last year:

|                         | Average Per-Kilogram Price to Customers (in \$US) |                          |          |                    |
|-------------------------|---|--------------------------|----------|--------------------|
|                         | First Quarter<br>of 2010                          | First Quarter<br>of 2009 | % change | Change in<br>Price |
| Fresh Pork              | \$ 2.13   | \$ 2.21                  | -0.04%   | \$ -0.09           |
| Frozen Pork             | \$ 1.39   | \$ 1.53                  | -0.09%   | \$ -0.14           |
| Processed Food Products | \$ 3.21   | \$ 3.20                  | 0.01%    | \$ 0.01            |

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

| As of March 31, | Sales Channels     |              |                             |
|-----------------|--------------------|--------------|-----------------------------|
|                 | Showcase<br>Stores | Supermarkets | Restaurants and<br>Canteens |
| 2009            | 873                | 345          | 4,726                       |
| 2010            | 942                | 581          | 5,186                       |

As shown in the table above, as of March 31, 2010, as compared to March 31, 2009, we significantly increased the number of participants in all three of these sales channels. We believe the sales from supermarkets and hypermarkets are likely to continue to yield higher profit margins. Their orders tend to be large and stable in quantity, and they usually have better credit. The increase in the number of these participants has resulted in increased sales volume.

Cost of Sales. Cost of sales for the first quarter of 2010 increased by \$12,043,403 or approximately 34.24%, from \$35,169,469 for the three months ended March 31, 2009 to \$47,212,872 for the three months ended March 31, 2010. The increase was principally attributable to the increase in the sales and sales volume for fresh pork and processed food products in the first quarter of 2010 as compared to the same period in the prior year. Our cost of sales for our various product categories in the first quarter of each of 2010 and 2009 is summarized and shown as a percentage of overall cost of sales in the following chart:

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| Product Category        | Cost of Sales First Quarter 2010 | % of Overall Cost of Sales | Cost of Sales First Quarter 2009 | % of Overall Cost of Sales | % of increase from 2009 to 2010 |
|-------------------------|----------------------------------|----------------------------|----------------------------------|----------------------------|---------------------------------|
| Fresh Pork              | \$ 39,029,801                    | 82.67%                     | \$ 27,779,537                    | 86.01%                     | 40.5%                           |
| Frozen Pork             | 2,731,784                        | 5.79%                      | 3,426,644                        | 4.92%                      | -20.28%                         |
| Processed Food Products | 5,451,287                        | 11.55%                     | 3,963,288                        | 9.07%                      | 37.54%                          |
| Total Cost of Sales     | \$ 47,212,872                    | 100%                       | \$ 35,169,469                    | 100%                       | 34.24%                          |

The following table shows our cost of sales in the first quarter of each of 2010 and 2009 as a percentage of sales within each product group.

| Product Category:       | Cost of Sales First Quarter 2010 | % of Product Group Sales | Cost of Sales First Quarter 2009 | % of Product Group Sales | % Change Product Group Sales |
|-------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|------------------------------|
| Fresh Pork              | \$ 39,029,801                    | 87.29%                   | \$ 27,779,537                    | 88.05%                   | 0.76%                        |
| Frozen Pork             | 2,731,784                        | 83.29%                   | 3,426,644                        | 86.62%                   | -3.33%                       |
| Processed Food Products | 5,451,287                        | 72.51%                   | 3,963,288                        | 73.56%                   | 1.05%                        |
| Total Cost of Sales     | \$ 47,212,872                    | 72.51%                   | \$ 35,169,469                    | 86.00%                   | 13.49%                       |

Our cost of sales of fresh pork products increased by 40.5% and by 0.76% as a percentage of sales of fresh pork products, in each case as compared to the first quarter of 2009. The large increase in the overall cost of sales for this product resulted primarily from the period over period increase in sales volume. Conversely, our cost of sales of frozen pork products decreased by 20.28% and by 3.33% as a percentage of sales of frozen pork products, in each case as compared to the first quarter of 2009. This large decrease in the overall cost of sales of this product resulted primarily from the period over period decrease in sales volume. During the first quarter of 2010, the cost of sales of processed food products increased by 37.54% and 1.05% as a percentage of sales of processed food products, in each case as compared to the same period last year. The large increase in the overall cost of sales for this product resulted primarily from the period over period increase in sales volume. ..

The following table shows the estimated average per-kilogram price we paid for live pigs in 2010 and 2009:

|                | Average Unit Price Per Kilogram in 2010 (in \$US) | Average Unit Price Per Kilogram in 2009 (in \$US) | Price Increase (decrease) (in \$US) | % Increase(decrease) from 2009 to 2010 |
|----------------|---|---|-------------------------------------|--|
| First Quarter  | 1.59  | 1.77  | \$ (0.18)                           | (10.17)%                               |
| Second Quarter | -   | 1.50  | -                                   | -                                      |
| Third Quarter  | -   | 1.75  | -                                   | -                                      |
| Fourth Quarter | -   | 1.70  | -                                   | -                                      |

Gross Profit. Gross profit was \$8,297,249 for the three months ended March 31, 2010 as compared to \$5,724,454 for the three months ended March 31, 2009, representing an increase of \$2,572,795, or approximately 44.94%.

Management attributes the increase in gross profit the lower average cost of live pigs and increased sales volume of frozen pork and processed food products. Our gross profit as a percentage of sales remained relatively consistent, yielding 17.86% in the first quarter of 2010 as compared to 16.16% in the first quarter of 2009.

The following table presents our gross profit for the three months ended March 31, 2010 and 2009. The table below also shows the percentage of gross profit for each of our product groups, as a percentage of sales for that product group.

| Product Group              | Gross Profit<br>First Quarter of<br>2010 | % of<br>Product<br>Group<br>Sales | Gross Profit<br>First Quarter<br>of 2009 | % of<br>Product<br>Group<br>Sales | % of<br>increase<br>from First<br>Quarter of<br>2009 to<br>First<br>Quarter of<br>2010 |
|----------------------------|--|-----------------------------------|--|-----------------------------------|--|
| Fresh Pork                 | \$ 5,682,174                             | 12.71%                            | \$ 3,770,617                             | 11.95%                            | 50.70%   |
| Frozen Pork                | 547,958                                  | 16.71%                            | 529,462                                  | 13.38%                            | 3.49%  |
| Processed Food<br>Products | 2,067,117                                | 27.49%                            | 1,424,375                                | 26.44%                            | 45.12%   |
| Total Gross Profit         | \$ 8,297,249                             | 14.95%                            | \$ 5,724,454                             | 14.00%                            | 6.79%  |

In the first quarter of 2010, the gross profit of each of the fresh pork and processed pork segment increased by 50.70% and 45.12% as compared to the same period last year principally due to lower average cost of live pigs and increased sales volume of the fresh pork segment. The processed food products segment continued to yield period over period a gross profit amount that was the highest among all the product groups as a percentage of product group sales. Because of the reduction in the average cost of live pigs, we were able to increase our gross profit for the frozen pork segment slightly even though we had a decrease in both sales volume and average price to customers in that product. .

Selling Expenses. Selling expenses totaled \$341,016 for the three months ended March 31, 2010, as compared to \$864,959 for the three months ended March 31, 2009, a decrease of \$523,943 or 60.57%. This decrease is due to a reduction in our advertising expenses. We continued to increase sales made through sales agents, who assumed certain marketing expenses in selling our fresh pork products.

General and Administrative Expenses. General and administrative expenses totaled \$576,370 for the three months ended March 31, 2010 as compared to \$559,113 for the same period in 2009, an increase of \$17,257 or 3.09%. This change is primarily attributable to increased outside legal fees and audit fees, and increased staff.

Other income (Expense). Our other income (expense) consists of interest income, other expenses, and interest expense. In the first quarter of 2010, we had total other expenses of \$414,510 as compared to \$106,001 for the first quarter of 2009, excluding a compensatory expense arising from the expected release of 482,955 of our shares from an escrow arrangement entered into as part of a private equity financing consummated by us in December 2007. See Note 19 of the consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. Our total other expenses in the first quarter of 2010 increased by \$308,509, or 291.04% as compared to other expenses in the same period in 2009 excluding the compensation charge from the expected escrow release. This increase in total other expenses is primarily attributable to an increase in interest expense on bank indebtedness..

Net Income. Net income for the three months ended March 31, 2010 was \$6,513,606 as compared to \$3,914,173 for the same period in 2009, an increase of \$2,599,433 or 66.41%. This increase in net income is attributable to the factors described above, but also generally to the fact that sales volume of fresh pork and processed food product significantly increased period over period.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

#### Three Months Ended March 31, 2010

As of March 31, 2010, we had cash and cash equivalents of \$12,637,572, other current assets of \$106,414,360 and current liabilities of \$64,397,263. On March 31, 2009, we had \$4,138,898 in cash and cash equivalents. We presently finance our operations primarily with cash flows from our operations, and we anticipate that this will continue to be our primary source of funds to finance our short-term cash needs. If we require additional capital to expand or enhance our existing facilities, we will consider debt or equity offerings or institutional borrowings as potential means of financing.

Net cash used in operating activities was \$32,161,423 for the three months ended March 31, 2010, while net cash flow used in operating activities was \$2,451,554 in the same period of 2009. The large increase in the net cash used in operating activities for the first quarter of 2010 reflects an upfront payment made by us to suppliers for the purchase of hogs. This up-front payment was made in order to procure high-quality pigs at a relatively preferential price. This payment was made as part of the hog purchase arrangement with the Group which we entered into on December 19, 2007 and is described in further detail below under "Contractual Obligations."

Net cash used in investing activities was \$11,830,158 for the three months ended March 31, 2010, compared to cash used in investing activities of \$3,496,845 in the same period of 2009. This change is primarily due to an increase of \$11,702,579 in restricted cash in the first quarter of 2010, representing compensating balances held at banks to partially secure banking facilities in the form of notes payable. The imposed restrictions dictate that funds cannot be withdrawn when there are outstanding notes payable, and the funds are only allowed to be used to settle bank indebtedness.

Net cash sourced from financing activities was \$14,630,790 for the three months ended March 31, 2010, as compared to net cash sourced from financing activities of \$4,390,442 in the same period of 2009. This increase resulted principally from an increase in our borrowings from banks during the first quarter of 2010 as compared to the same period of 2009. These additional borrowings are short-term loans, and were used for operational purposes.





## Capital Commitments

In the first quarter of 2008, we relaxed our credit policy for certain of our major customers, permitting them up to a two-month grace period for payment for goods, where previously no such grace period was provided. Management expects that in the short term, this revised credit policy will result in an increase in accounts receivable, and a corresponding reduction in our cash position. Management does not anticipate that this change in our credit policy will result in any deficiency of working capital. Over the first quarter of 2010, however, accounts receivable decreased from \$39,876,187 to \$23,804,756. This decrease was primarily the result of certain customers paying down their outstanding accounts receivable at the beginning of a calendar year, and our efforts to encourage our sales agents to make payments in cash through our use of sales discounts given to some of our sales agents.

## Uses of Liquidity

Our cash requirements through the end of fiscal 2010 will be primarily to fund daily operations for the growth of our business. Management will consider acquiring additional manufacturing capacity for processed foods in the future to strengthen and stabilize our manufacturing base.

## Sources of Liquidity

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

We believe our cash flow from operations together with our cash and cash equivalents currently on hand will be sufficient to meet our needs for working capital, capital expenditure and other commitments through the end of 2010. For our long-term cash needs, we may consider a number of alternative financing opportunities, which may include debt and equity financing. No assurance can be made that such financing will be available to us, and adequate funds may not be available on terms acceptable to us. If additional funds are raised through the issuance of equity securities, dilution to existing shareholders may result. If funding is insufficient at any time in the future, we will develop or enhance our products or services and expand our business through our own cash flows from operations.

As of March 31, 2010, we had short-term loans outstanding \$ 30,572,988 in aggregate borrowings from Bank of China, Shanghai Pudong Development Bank, the Agriculture Bank of China, Bank of East Asia and Bank of Huaxie, and on which we pay interest at average rates of 6.06% per annum. As of March 31, 2010, we did not have any standby letters of credit or standby repurchase obligations. We intend to satisfy our short-term debt obligations that mature over the next 12 months through either additional short-term bank loans, in most cases by rolling the maturing loans into new short-term loans with the same lenders, or equity financings in the public capital market.

## Foreign Currency Translation Risk

Our operations are, for the most part, located in the PRC, and we earn our revenue in Chinese RMB. However, we report our financial results in U.S. Dollars using the closing rate method. As a result, fluctuations in the exchange rates between Chinese RMB and the U.S. Dollar will affect our reported financial results. The balance sheet items are translated into U.S. dollars using the exchange rates at the respective balance sheet dates. The capital and various reserves are translated at historical exchange rates prevailing at the time of the transactions while income and expenses items are translated at the average exchange rate for the period. All exchange differences are recorded within equity. The foreign currency translation adjustment for the three months ended March 31, 2010 and 2009, which was in each instance a gain, was \$14,262 and \$1,057, respectively.

During 2003 and 2004 the exchange rate of RMB to the dollar remained constant at 8.26 RMB to the dollar. On July 21, 2005, the Chinese government adjusted the exchange rate from 8.26 to 8.09 RMB to the dollar. In 2008, the RMB continued to appreciate against the U.S. dollar. As of March 31, 2010, the market foreign exchanges rate was increased to 6.8361 RMB to one U.S. dollar. As a result, the ongoing appreciation of RMB to U.S. dollar may negatively impact our gross margins in the future.

## Contractual Obligations and Off-Balance Sheet Arrangements

## Contractual Obligations

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

The following tables summarize our contractual obligations as of March 31, 2010, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

|                                | Total          | Payments Due by Period |           |           |           |
|--------------------------------|----------------|------------------------|-----------|-----------|-----------|
|                                |                | Less than 1 year       | 1-3 Years | 3-5 Years | 5 Years + |
| Contractual Obligations :      |                |                        |           |           |           |
| Bank Indebtedness              | \$ 30,572,988  | \$ 30,572,988          | \$ -      | \$ -      | \$ -      |
| Other Indebtedness             | \$ -           | \$ -                   | \$ -      | \$ -      | \$ -      |
| Capital Lease Obligations      | \$ -           | \$ -                   | \$ -      | \$ -      | \$ -      |
| Operating Leases               | \$ -           | \$ -                   | \$ -      | \$ -      | \$ -      |
| Purchase Obligations           | \$ 137,240,732 | \$ 137,240,732         | \$ -      | \$ -      | \$ -      |
| Total Contractual Obligations: | \$ 167,813,720 | \$ 167,813,720         | \$ -      | \$ -      | \$ -      |

As indicated in the table, as of March 31, 2010, we had \$137,240,732 in purchase obligations, which relates to our agreement for the purchase and sale of hogs. On December 19, 2007, we entered into a hog purchase agreement whereby the Group will provide, at fair market prices, a minimum number of hogs to us.

At March 31, 2010, management projected minimum quantities of hogs as detailed in the following table:

| Year                | Hogs    | Price Per Hog | Amount         |
|---------------------|---------|---------------|----------------|
| 2010 (April to Dec) | 666,735 | \$ 205.84     | \$ 137,240,732 |

For purposes of estimating future payments, we project that the fair market price of the hogs will increase by 10% each year. The assumption of 10% reflects our expectations with regard to inflation and the rising costs of inputs in breeding livestock.

## Off-balance Sheet Arrangements

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

### ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

**Interest Rates.** Our exposure to market risk for changes in interest rates relates primarily to our short-term investments and short-term obligations; thus, fluctuations in interest rates would not have a material impact on the fair value of these securities. At March 31, 2010, we had approximately \$12,637,572 in cash and cash equivalents. A hypothetical 10% increase or decrease in interest rates would not have a material impact on our earnings or loss, or the fair market value or cash flows of these instruments.

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

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between the signing of sales contracts and the settling of these contracts. Furthermore, we translate monetary assets and liabilities denominated in other currencies into RMB, the functional currency of our operating business. Our results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in our statement of stockholders’ equity. We recorded net foreign currency gains of \$14,262 and \$1,057 in the three months ended March 31 of 2010 and 2009, respectively. We have not used any forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. As our sales denominated in foreign currencies, such as RMB, continue to grow, we may consider using arrangements to hedge our exposure to foreign currency exchange risk.

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

### ITEM 4T. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any

controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) . Our chief executive officer and our chief financial officer solely as a result of the significant weaknesses in internal control over financial reporting described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, our chief executive officer and our chief financial officer have concluded that the Company's disclosure controls and procedures were ineffective.

Other than our appointment of (i) Sharon Xiaorong Tang as our chief financial officer and (ii) the addition of three independent directors to our board, together with the establishment of three board committees, including an audit committee on our board (as described in our Current Reports on Form 8-K dated March 31, 2010 and March 23, 2010, respectively), there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As of March 31, 2010, the Company had yet to become compliant with SOX 404 and maintain effective internal controls; however, the progress of the Company's remedial measures is detailed below. The Company expects to be compliant by the fiscal year ending December 31, 2010.

A "material weakness" is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements presented will not be prevented or detected. A "significant deficiency" is a control deficiency, or combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process or report external financial data reliably in accordance with GAAP such that there is more than a remote likelihood that a misstatement of the annual or interim financial statements presented that is more than inconsequential will not be prevented or detected.

At March 31, 2010, management has identified the following material weaknesses in our internal control over financial reporting, and has proposed the following plan of implementation with respect to each material weakness:

- Weakness: The Company's board of directors has yet to pass a formal resolution to put in place a strategic plan and framework in order to comply with the regulations placed on issuers concerning internal controls.

Implementation Plan: The board of directors intends to pass a resolution to adopt the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework which provides for a structure to establish a control environment, risk assessment, control activities, information and communication, and monitoring of effective internal controls. The board also intends that the Chief Executive Officer shall be made to take ultimate ownership of establishing an effective internal control system.

As of March 31, 2010, the Company had not yet passed a formal resolution, however, Board has instructed Ms. Ma Feng Qin, a Board Member, to take charge of the implementation of a system of an internal control system that will ultimately meet the goal of compliance with SOX 404 Act. In March 2010, the Company appointed two new independent directors who have experience in US public companies and whose expertise in US financial reporting standards is expected to be contributed to the Company. In addition, the Company has established an audit committee comprising of independent directors, which is expected to play an important role in enhancing the Company's processes and procedures relating to internal control and corporate reporting including financial reporting.. The Company is in the process of identifying and hiring more professionals with experience in SOX 404 to enable the Company to effectively address this issue.

- Weakness: The Company accounting department is currently understaffed and lacks personnel with expertise in US GAAP and SEC reporting standards.

Implementation Plan: The Company is currently in the hiring process for a senior financial accounting officer and staff accountants to fulfill the demands and rigors of being a US public reporting company. The Company will also provide training to existing employees on the requirements of US GAAP and SEC Reporting standards.

As of March 31, 2010, the Company has hired a new Chief Financial Officer, however, as of the date hereof the Company continues to seek actively candidates for a senior financial reporting officer knowledgeable in US GAAP and SEC Reporting standards. Upon hiring of a senior financial reporting officer, that individual could further hire

and train personnel as needed.

- Weakness: The Company does not have an internal audit function and department.

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Implementation Plan: The Company will establish an internal audit department.

As of March 31, 2010, the Company has created an internal audit department. The effectiveness of this new department is currently under evaluation, and has yet to be determined.

- **Weakness:** The Company's present methods and systems for tracking related party transactions are inadequate. Since the corporate reorganization and separation of Chuming from the Group occurred recently (at the end of 2007), and the Company's accounting system in the past was manually based, only manual records of related party transactions are currently available. Further, the Company notes that its current accounting staff is not sufficient in size to undertake an exercise to completely re-summarize all of the events and transactions that led to the current related party transaction balances disclosed in its financial statements. Specifically, paragraph 2(c) of the Statement of Financial Accounting Standards No. 57 (SFAS 57) requires us to disclose in our financial statements the dollar amounts of each of the periods presented, for our related-party transactions. Due to certain limitations in our historical records, the present capacity of our accounting staff, and the fact that our historical records relating to these related party transactions are manually-based, these related party transactions have been presented according to their general category and current balance, with each such balance representing one or more prior transactions culminating in such balance.

Implementation Plan: The Company will write and rewrite formal contracts with these Related Parties as necessary to detail the nature of these transactions. The Company's accounting staff will formalize the process of recording these related party transactions, so that the nature of these transactions are more easily understandable and may be adequately disclosed in the Company's financial statements. The Company and management acknowledge our responsibility to comply with the requirements of SFAS 57, and fully intend to take all necessary steps to update our accounting systems and procedures in order to achieve such compliance on an ongoing basis. In addition, we expect that the foregoing material weakness is related to our lack of adequate accounting staff (see paragraph below), and that appropriate changes to our staff are expected to eliminate the foregoing material weakness.

As of March 31, 2010, the Company has implemented from an operational standpoint, a plan for the elimination of related party transactions unrelated to the Company's core business transactions. Therefore, all related party transactions, except for the purchase of hogs which is conducted under an arms-length Hog Procurement Agreement, will be phased out and eliminated. The Company continues to develop desktop and closing procedures in order to report historical and remaining related party balances on a more timely and accurate basis. Contracts with related parties, which include netting agreements, have been formalized for past transactions; however, on going forward basis the Company is in the process of creating standardized contracts that will govern related party transactions that occur frequently and regularly, such as purchases of hogs.

SIGNATURES

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

ENERGROUP HOLDINGS CORPORATION

Dated: June 22, 2010

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

By: /s/ Sharon Tang  
Name: Sharon Tang  
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

| Exhibit No. | Description  |
|-------------|--|
| 31.1        | Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2        | Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 32.1        | Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2        | Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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