

ENERGROUP HOLDINGS CORP
Form 10-Q
May 20, 2008

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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

For the transition period from _____ to _____

Commission File Number 0-28806

ENERGROUP HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State of Incorporation)

87-0420774
(I.R.S. Employer Identification No.)

**No. 9, Xin Yi Street, Ganjingzi District
Dalian City, Liaoning Province, PRC 116039**
(Address of principal executive offices)

N/A
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of March 31, 2008, the Registrant had 21,136,391 shares of Common Stock outstanding.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

Energroup Holdings Corporation
Consolidated Balance Sheets
As of March 31, 2008 and December 31, 2007
(Stated in US Dollars)

	Note	3/31/2008	12/31/07
<u>ASSETS</u>			
Cash		\$ 7,039,089	\$ 14,031,851
Restricted Cash	3	2,157,831	4,250,000
Accounts Receivable	4	3,004,163	622,433
Other Receivable		1,638,132	1,068,939
Related Party Receivable	6	15,506,766	3,964,357
Inventory	5	4,466,012	2,916,016
Purchase Deposit		7,824,478	267,807
Prepaid Expenses		134,450	46,401
Prepaid Taxes		156,787	-
Deferred Tax Asset		639,360	613,844
Total current assets		42,567,071	27,781,648
Property, Plant & Equipment, net	7	25,724,989	24,836,496
Land Use Rights, net	8	13,326,162	12,855,980
Construction in Progress		994,917	927,866
Other Assets		33,975	32,619
TOTAL ASSETS		\$ 82,647,114	\$ 66,434,609
<u>LIABILITIES</u>			
Bank Loans & Notes	9	\$ 14,881,376	\$ 7,383,095
Accounts Payable		3,659,840	3,779,274
Accrued Liabilities		3,605,852	3,347,013
Taxes Payable		2,097,757	1,491,876
Other Payable		1,458,926	1,471,381
Customer Deposits		82,042	24,161
Total current liabilities		25,785,792	17,496,800
TOTAL LIABILITIES		\$ 25,785,792	\$ 17,496,800

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

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

	Note	3/31/2008	12/31/07
<u>STOCKHOLDERS' EQUITY</u>			
Preferred Stock - \$0.001 par value 10,000,000 shares authorized; 0 shares issued & outstanding at March 31, 2008 and December 31, 2007, respectively.			
Common Stock \$0.001 par value 21,739,130 shares authorized; 21,136,392 shares issued & outstanding at March 31, 2008 and December 31, 2007, respectively.			
		\$ 21,136	\$ 21,136
Additional Paid in Capital	10	15,440,043	15,440,043
Statutory Reserve		1,692,660	751,444
Retained Earnings		33,064,237	29,764,236
Accumulated Other Comprehensive Income		6,643,246	2,960,951
TOTAL STOCKHOLDERS' EQUITY		56,861,322	48,937,810
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 82,647,114	\$ 66,434,610

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

Energroupholdings Corporation
Consolidated Statements of Operations
For the three-month period ended March 31, 2008 and 2007
(Stated in US Dollars)

	Note	3/31/2008	3/31/2007
<u>Revenue</u>			
Sales		\$ 43,507,098	\$ 23,187,994
Cost of Sales		(36,474,424)	(19,025,632)
Gross Profit		7,032,674	4,162,362
<u>Operating Expenses</u>			
Selling Expenses		1,825,277	229,419
General & Administrative Expenses		492,973	305,136
Total Operating Expense		2,318,250	534,555
Operating Income/(Loss)		4,714,423	3,627,807
<u>Other Income (Expenses)</u>			
Other Income		24,269	2,728
Interest Income		3,985	-
Other Expenses		(28,650)	(28,173)
Interest Expense		(306,465)	(592,978)
Total Other Income (Loss) and Expense		(306,861)	(618,423)
Earnings before Tax		4,407,562	3,009,384
Income Tax/Deferred Tax Benefit		(166,345)	-
Net Income		\$ 4,241,217	\$ 3,009,384
<u>Earnings Per Share</u>			
Basic		\$ 0.25	\$ 0.22
Diluted		0.20	0.17
<u>Weighted Average Shares Outstanding</u>			
Basic		17,272,756	13,409,120
Diluted		21,182,756	17,272,756

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

Energroup Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
As of March 31, 2008 and December 31, 2007
(Stated in US Dollars)

	Common Stock Shares Outstanding	Common Stock Amount	Common Stock Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2007	17,272,756	17,273	2,396,079	751,444	18,112,089	896,679	22,173,563
Issuance of Common Stock & Warrants	3,863,636	3,863	13,043,964				13,047,828
Net Income					11,652,147		11,652,147
Appropriations of Retained Earnings				-	-		-
Foreign Currency Translation Adjustment						2,064,272	2,064,272
Balance, December 31, 2007	21,136,392	21,136	15,440,043	751,444	29,764,236	2,960,951	48,937,810
Balance, January 1, 2008	21,136,392	21,136	15,440,043	751,444	29,764,236	2,960,951	48,937,810
Issuance of Common Stock & Warrants							-
Net Income					4,241,217		4,241,217
Appropriations of Retained Earnings				941,216	(941,216)		-
Foreign Currency Translation Adjustment						3,682,295	3,682,285
Balance, March 31, 2008	21,136,392	21,136	15,440,043	1,692,660	33,064,237	6,643,246	56,861,312

Accumulated Comprehensive Income

	12/31/2007	3/31/2008	Total
<u>Comprehensive Income</u>			
Net Income	11,652,147	4,241,217	15,893,364
<u>Comprehensive Other Income</u>			
Foreign Currency Translation Adjustment	2,064,272	3,682,295	5,746,557

13,716,419

7,923,512

21,639,921

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

Energroupholdings Corporation
Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2008 and 2007
(Stated in US Dollars)

	3/31/2008	3/31/2007
Cash Flow from Operating Activities		
Cash Received from Customers	\$ 29,072,645	\$ 23,498,395
Cash Paid to Suppliers & Employees	(47,912,070)	(17,639,438)
Interest Received	3,985	-
Interest Paid (net of amount capitalized)	(1,075,461)	413,282
Income Tax Paid	(191,861)	-
Miscellaneous Receipts	24,269	2,728
Cash Sourced/(Used) in Operating Activities	(20,079,493)	5,448,403
Cash Flows from Investing Activities		
Escrowed Funds from Private Placement Placed in Restricted Cash	2,092,169	-
Payments for Purchases of Plant & Equipment	(1,623,365)	(126,241)
Payments for Purchases of Land Use Rights	(261,294)	643,388
Payments for Deposits	(1,356)	-
Cash Used/(Sourced) in Investing Activities	206,155	(769,629)
Cash Flows from Financing Activities		
Proceeds Allocated to Accrued Liabilities for Liquidated Damages from Issuance of Stock & Warrants	1,700,000	-
Proceeds from Bank Borrowings	14,881,376	-
Repayment of Bank Loans	(7,383,095)	(1,286,776)
Cash Sourced/(Used) in Financing Activities	9,198,281	(1,286,776)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year	(10,675,047)	3,391,998
Effect of Currency Translation	3,682,285	43,783
Cash & Cash Equivalents at Beginning of Year	14,031,851	3,075,787
Cash & Cash Equivalents at End of Year	\$ 7,039,089	\$ 6,511,568

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

Energroupholdings Corporation
Reconciliation of Net Income to Cash Provided / (Used) in Operating Activities
For the three-month periods ended March 31, 2008 and 2007
(Stated in US Dollars)

	3/31/2008	3/31/2007
Net Income	\$ 4,241,217	\$ 3,009,384
Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:		
Liquidated Damages Included in Accrued Liabilities	(1,700,000)	-
Amortization	(208,889)	43,429
Depreciation	667,821	434,629
Provision for Bad Debt	3,522	-
Decrease/(Increase) in Accounts Receivable	(2,385,252)	1,307,287
Decrease/(Increase) in Other Receivable	(569,194)	(220,811)
Decrease/(Increase) in Related Party Receivable	(11,542,409)	262,229
Decrease/(Increase) in Inventory	(1,549,996)	589,689
Decrease/(Increase) in Advance to Suppliers	(7,556,671)	916,407
Decrease/(Increase) in Prepaid Taxes	28,530	-
Decrease/(Increase) in Prepaid Expenses	(88,049)	(51,843)
Decrease/(Increase) in Deferred Tax Benefit	(25,516)	-
Increase/(Decrease) in Accounts Payable	(119,434)	(709,758)
Increase/(Decrease) in Taxes Payable	420,563	509,418
Increase/(Decrease) in Other Payable	(12,455)	(294,428)
Increase/(Decrease) in Related Party Payable	-	694,075
Increase/(Decrease) in Accrued Liabilities	258,839	(1,038,304)
Increase/(Decrease) in Customer Advances	57,880	-
Total of all adjustments	(24,320,710)	2,439,019
Net Cash Provided by/(Used in) Operating Activities	\$ (20,079,493)	\$ 5,448,403

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

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

1. The Company and Principal Business Activities

Energroupholdings Corporation (the “Company”) (OTCBB: ENHD) is a holding company incorporated in the state of Nevada in the United States of America whose primary business operations is conducted through its three operating subsidiaries: (1) Dalian Chuming Processed Foods Company Ltd., (the “Foods Company”) (2) Dalian Chuming Slaughter and Packaging Pork Company Ltd. (the “Meat Company”), and (3) Dalian Chuming Sales Company Ltd. (the “Sales Company”), each incorporated in the People’s Republic of China (the “PRC”). The Company is headquartered in the City of Dalian, Liaoning Province of China.

The three operating subsidiaries were spun-off constituents of their former parent company, Dalian Chuming Group Co. Ltd. The Company indirectly holds the three operating subsidiary companies through its wholly owned intermediary subsidiaries: (A) Precious Sheen Investments Limited (“PSI”), a British Virgin Islands corporation, and (B) Dalian Chuming Precious Sheen Investments Consulting Co., Ltd., (“Chuming”), a wholly foreign owned enterprise incorporated in the PRC.

Dalian Precious Sheen Investments Consulting Co., Ltd. (“Chuming”) is an intermediary holding company established in the People’s Republic of China (the “PRC” or “China”) formed for the purpose of providing a group structure to enhance the viable capacity of its three PRC operating subsidiaries.

The Company’s 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.

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 (“PSI”) 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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

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 this transaction, PSI became our wholly owned subsidiary, and we acquired the business and operations of the three operating subsidiaries.

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

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

2. Summary of Significant Accounting Policies

(A) *Method of Accounting*

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

Energrouph Holdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

(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 has owned the three operating subsidiaries since its inception. The Company also owns two intermediary holdings companies. As of March 31, 2008, the detailed identities of the consolidating subsidiaries are as follows: -

Name of Company	Place of Incorporation	Attributable Equity Interest	Registered Capital
Precious Sheen Investments Limited	BVI	100%	USD 10,000
Dalian Chuming Precious Sheen Investment Consulting Co., Ltd.	PRC	100%	RMB 29,400,682
Dalian Chuming Slaughtering & Pork Packaging Co. Ltd.	PRC	100%	RMB 10,000,000
Dalian Chuming Processed Foods Co. Ltd.	PRC	100%	RMB 5,000,000
Dalian Chuming Sales Co. Ltd.	PRC	100%	RMB 5,000,000

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

(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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

(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) *Advances to Suppliers*

Advances to suppliers represent the cash paid in advance for purchasing raw materials. The advances to suppliers are 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.

Construction in progress represents the direct costs of design, acquisition, and construction of buildings, building improvements and land improvements. Capitalization of these costs ceases when substantially all activities necessary to prepare the assets for their intended use are completed. At such point, construction in progress is transferred to its respective asset classification. No depreciation is provided until it is completed and ready for intended use.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

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

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

(I)

Land Use Rights

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

(J)

Construction in Progress

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

(J)

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.

(K)

Customer Deposits

Customer deposits represents money the Company has received in advance for purchases of pork and pork products. The Company considers customer deposits as a liability until products have been shipped and revenue is earned.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

(L) 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 equalling 50% of the enterprise's capital.

(M) 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.

(N) 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 title has passed.

(O) 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, and inspection and warehousing costs.

(P) Selling Expense

Selling expenses are comprised of outbound freight, salary for the sales force, client entertainment, commissions, depreciation, advertising, and travel and lodging expenses.

(Q) 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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

(R) *Shipping and handling*

All shipping and handling are expensed as incurred and included as a component of cost of sales.

(S) *Advertising Expense*

Costs related to advertising and promotion expenditures are expensed as incurred during the year. Advertising costs are charged to selling expense.

(T) *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.

(U) *Income Taxes*

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

(V) *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.

(W) *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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

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	Quarter Ending 3/31/2008	Year Ending 12/31/2007	Quarter Ending 3/31/2007
RMB : US\$ exchange rate (at period ending)	7.0222	7.3141	7.7409
Average RMB : US\$ exchange rate	7.1757	7.6172	7.8753

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.

(X)

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of ordinary shares outstanding and dilutive potential ordinary shares during the years. During the years ended 2004, 2005, and 2006, no dilutive potential ordinary shares were issued.

The Company computes earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per share" ("SFAS No. 128"), and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., 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.

Energrou Holdings Corporation
Notes to Consolidated Financial Statements
For the three-month periods ended March 31, 2008 and 2007

(Y) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board issued FASB Statement No. 141 (Revised 2007), Business Combinations (“SFAS 141R”). SFAS 141R provides additional guidance on improving the relevance, representational faithfulness, and comparability of the financial information that a reporting entity provides in its financial reports about a business combination and its effects. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company believes there will be no material impact on its financial statements upon adoption of this standard.

In December 2007, the Financial Accounting Standards Board issued FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* (“SFAS 160”). SFAS 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This Statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company believes there will be no material impact on its financial statements upon adoption of this standard.

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3. Restricted Cash

The restricted cash reflects funds received from the financing transaction described in Note 18 that is held in an escrow with US Bank in the United States. These funds are restricted until the Company has fulfilled the following criteria: (1) the hiring of a Chief Financial Officer that meets the approval of the investors, at which point the Company will release \$1.5 million from restriction, and which criterion must be satisfied within 90 days of the closing of the financing transaction, (2) the Company appoints a Board of Directors that has majority of independent members, at which point \$2.0 million will be released from restriction, and (3) appoint a successor auditor, at which point \$500,000 will be released from restriction. There is \$250,000 in the escrow account that has already been earmarked for investor relations purposes.

4. Accounts Receivable

Accounts Receivable at December 31, consisted of the following: -

	3/31/2008	12/31/2007
Accounts Receivable – Trade	\$ 3,092,407	\$ 707,156
Less: Allowance for Doubtful Accounts	(88,244)	(84,723)
Net Accounts Receivable	\$ 3,004,163	\$ 622,433
<i>Allowance for Bad Debts</i>	<i>3/31/2008</i>	<i>12/31/2007</i>
Beginning Balance	\$ 84,723	\$ 79,267
Allowance Provided	3,521	5,456
Charged Against Allowance		-
Ending Balance	\$ 88,244	\$ 84,723

5. Inventory

	3/31/2008	12/31/2007
Raw Materials	\$ 1,591,950	\$ 1,039,440
Work in Progress	839,117	547,889
Finished Goods	2,034,946	1,328,688
	\$ 4,466,012	\$ 2,916,016

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6. Related Party Receivable

In the normal course of business, the Company conducts transactions with the following related parties: Dalian Chuming Group Co., Ltd (“Group) and the Group subsidiaries that are not consolidated into Energroupholdings or Energroupholdings’s subsidiary, Dalian Chuming Precious Sheen Investments Consulting Co. Ltd. (Chuming): (1) Dalian Chuming Industrial Development Co., Ltd., (2) Dalian Chuming Trading Co., Ltd, (3) Dalian Mingxing Livestock Product Co. Ltd., (4) Dalian Chuming Stockbreeding Combo Development Co., Ltd., (5) Dalian Chuming Fodder Co., Ltd., and (6) Dalian Chuming Biological Technology Co., Ltd., and (7) Dalian Huayu Seafood Food Co., Ltd. The Company and the aforementioned related parties share common ownership. All related party transactions are consummated between Chuming and through the Group. All transactions with related parties were 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, set off the balances in order to arrive at a single balance that is either due from, or due to the Group.

At March 31, the Company had both a balance of \$61,863,588 receivable from the Group and a balance of \$46,356,821 payable to the Group. Accordingly, the Company setoff the two balances which resulted in a net balance of \$15,506,766 receivable.

Related party transactions at March 31, 2008 consist of the following:

	3/31/2008
Related Party Receivable	\$ 61,863,588
Related Party Payable	(46,356,821)
Related Party Receivable, net	\$ 15,506,766

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7. Property, Plant & Equipment

March 31, 2008		Cost	Accumulated Depreciation	Net
Land Improvements	\$	516,717	\$ 93,066	\$ 423,651
Building Improvements		80,873	17,938	62,935
Buildings		20,352,594	2,750,551	17,602,044
Manufacturing Equipment		9,540,457	2,316,345	7,224,111
Office Equipment		128,502	68,409	60,092
Vehicles		686,293	364,338	321,955
Furniture & Fixture		51,774	21,573	30,201
	\$	31,357,209	\$ 5,632,220	\$ 25,724,989

December 31, 2007		Cost	Accumulated Depreciation	Net
Land Improvements	\$	491,071	\$ 82,031	\$ 409,040
Building Improvements		76,859	15,811	61,048
Buildings		19,342,461	2,424,415	16,918,046
Manufacturing Equipment		9,066,948	2,041,694	7,025,254
Office Equipment		122,124	60,298	61,826
Vehicles		652,231		