ENERGROUP HOLDINGS CORP
Form 10-Q
May 17, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x 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

o 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	87-0420774
(State or Other Jurisdiction of Incorporation or Organization)	(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 x No o

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 o No x

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 o	Accelerated Filer o	Non-Accelerated Filer o	Smaller reporting company x

(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 o No x

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

Table of Contents

PART I

FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

Energroup Holdings Corporation

Reviewed Consolidated Financial Statements

March 31, 2010 and December 31, 2009

(Stated in US Dollars)

Energroup Holdings Corporation

Contents

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 March 31, 2010		At December 31, 2009
ASSETS					
Current Assets					
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
Total Current Assets			119,051,932		89,887,082
Non-Current Assets					
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
Total Assets		$	162,149,382	$	133,482,962
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities					
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
Total Current Liabilities			64,397,263		42,258,711
Long Term Liabilities					
Bank Loans	10(B)		-		-
Total Liabilities		$	64,397,263	$	42,258,711

See Notes to Financial Statements and Accountant’s Report

2

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

Stockholders' Equity	Notes	At March 31, 2010	At December 31, 2009
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
Total Stockholders' Equity		97,752,119	91,224,251
Total Liabilities & Stockholders' Equity		$ 162,149,382	$ 133,482,962

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 Months ended March 31, 2010	For three Months ended March 31, 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
Operating Expenses			
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
Other Income (Expenses)			
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
Earnings Per Share	2(Z),18		
- Basic		$ 0.31	$ 0.03
- Diluted		$ 0.31	$ 0.02
Weighted Average Shares Outstanding			
- Basic		21,136,392	17,272,756
- Diluted		21,136,392	21,136,392

Comprehensive Income	For the year ended December 31, 2009	For three Months Ended March 31, 2010	Accumulated Totals
Net Income	$ 6,054,442	$ 6,513,606	$ 12,568,048
Other Comprehensive Income			
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 Shares Outstanding	Common Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive Other Income	Total
Balance at January 1, 2009	21,136,392	$ 21,137	$ 26,062,337	$ 2,077,488	$ 35,275,457	$ 3,489,228	$ 66,925,647
Release of Shares Placed in Escrow	-	-	16,467,994	-	-	-	16,467,994
Net Income	-	-	-	-	6,054,442	-	6,054,442
Appropriations of Retained Earnings	-	-	-	-	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	1,776,168	1,776,168
Balance at December 31, 2009	21,136,392	$ 21,137	$ 42,530,331	$ 2,077,488	$ 41,329,899	$ 5,265,396	$ 91,224,251
Balance at 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 Placed in Escrow	-	-	-	-	-	-	-
Net Income	-	-	-	-	6,513,606	-	6,513,606
Appropriations of Retained Earnings	-	-	-	-	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	14,262	14,262
Balance at March 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 Months ended March 31, 2010	For three Months ended March 31, 2009
Cash Flow from Operating Activities		
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)
Cash Flows from Investing Activities		
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)
Cash Flows from Financing Activities		
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
Non-Cash Financing Activity:		
Release of shares held in escrow	$ -	$ 3,502,152

See Notes to Financial Statements and Accountant's Report

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

	For three Months ended March 31, 2010	For three Months ended March 31, 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

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

1. The Company and Principal Business Activities

Energroup Holdings 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).

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

(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

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

(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.

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

(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. The increase in receivables after March 2008 gives rise to the Company carrying an allowance for doubtful accounts as detailed in 2(E).

(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.

12

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

(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.

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

(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.

(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).

Statement 166 is a revision to FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FASB ASC 860 Transfers and Servicing), and will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets, and requires additional disclosures. Statement No. 166 (FASB ASC 860 Transfers and Servicing) must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date. The Company is still evaluating the impact of the above pronouncement.

Statement 167 is a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities (FASB ASC 810 Consolidation), and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity’s purpose and design and the reporting entity’s ability to direct the activities of the other entity that most significantly impact the other entity’s economic performance. Statement No. 167 (FASB ASC 810 Consolidation) shall be effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is still evaluating the impact of the above pronouncement.

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

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

3. Restricted Cash

The restricted cash reflects funds received from the financing transaction described in Note 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.

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

4. Accounts Receivable

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

	At March 31, 2010	At December 31, 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 March 31, 2010	At December 31, 2009
Allowance for Bad Debts		
Beginning Balance	$ (402,789)	$ (188,495)
Allowance Provided	-	(214,294)
Charged Against Allowance	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 December 31: -

	At March 31, 2010	At December 31, 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

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

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	

17

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

Ref.	Subsidiary Due from:	Nature of Balance	Related Party		Balance	Description of Transaction
L	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming 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

18

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

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 1.25Million) 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(RMB10.7 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.

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

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.

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

6. Inventory

	At March 31, 2010	At December 31, 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 & Equipment

At March 31, 2010:	Cost	Accumulated 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 December 31, 2009:	Cost	Accumulated 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 March 31, 2010	At December 31, 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

21

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

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 March 31, 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 December 31, 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.

22

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

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 March 31, 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 December 31, 2009
Shanghai Pudong Development Bank - Liaoning Branch	5/18/2010	$	7,312,935
		$	7,312,935

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 Shares		Common Stock Capital		Additional Paid in 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%

23

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

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 March 31, 2010	At December 31, 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 it earnings to the United States.

24

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

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.

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

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

Eliminated Intercompany Sales of Products Sold
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

26

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

Results of Operations For the period ended March 31, 2010	Meat Company	Food Company	Sales Company	WFOE, PSI, & 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 At December 31, 2009	Meat Company	Food Company	Sales Company	WFOE, PSI, & 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

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

Financial Position At March 31, 2010	Meat Company	Food Company	Sales Company	WFOE, PSI, & 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

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

18. Earnings Per Share

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

	For the Three months March 31, 2010	For the Three months March 31, 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.

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

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
iii.	Common shares issuable upon exercise of placement agent warrants	386,364
		21,522,756

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

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 liquated 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.

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 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 Holdin 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.

33

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