

ENERGROUP HOLDINGS CORP
Form 10-Q
May 15, 2009

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, 2009

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

Yes No

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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

As of March 31, 2009, the Registrant had 21,136,392 shares of Common Stock outstanding.

ENERGROUP HOLDINGS CORPORATION

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

1

Board of Directors and Stockholders
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have reviewed the accompanying consolidated balance sheets of Energroup Holdings Corporation as of March 31, 2009 and December 31, 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for the three-month periods ended March 31, 2009 and 2008. These interim consolidated 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 information 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 interim consolidated financial statements for them to be in conformity with U.S. generally accepted accounting principles.

South San Francisco, California
April 24, 2009

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

Energroup Holdings Corporation
Consolidated Balance Sheets
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

	Notes	At March 31, 2009	At December 31, 2008
ASSETS			
Current Assets			
Cash	2(D)	\$ 4,138,898	\$ 5,695,798
Restricted Cash	3	2,174,484	2,177,091
Accounts Receivable	2(E),4	16,589,324	18,661,065
Other Receivable		2,151,917	2,162,412
Related Party Receivable	5	17,846,965	10,919,777
Inventory	2(F),6	5,893,860	6,051,109
Advance to Suppliers	2(G)	1,574,308	1,453,861
Prepaid Expenses		396,848	62,734
Prepaid Taxes		206,626	334,413
Deferred Tax Asset	2(Q)	644,417	643,609
Total Current Assets		51,617,647	48,161,869
Non-Current Assets			
Property, Plant & Equipment, net	2(H),7	25,337,388	25,794,151
Land Use Rights, net	2(I),8	13,381,433	13,430,435
Construction in Progress	2(J)	6,635,061	3,262,146
Other Assets		34,852	34,807
Total Assets		\$ 97,006,381	\$ 90,683,408
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank Loans	9(A)	\$ 10,809,863	\$ 6,419,422
Accounts Payable		3,915,369	7,695,208
Taxes Payable		3,126,867	2,341,971
Other Payable		2,129,765	2,318,142
Accrued Liabilities		2,607,695	1,724,266
Customer Deposits	2(L)	3,575,945	3,258,752
Total Current Liabilities		26,165,504	23,757,761
Long Term Liabilities		-	-
Total Liabilities		\$ 26,165,504	\$ 23,757,761

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Balance Sheets
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

Stockholders' Equity	Notes	At March 31, 2009	At December 31, 2008
Preferred Stock - \$0.001 Par Value 10,000,000 Shares Authorized; 0 Shares Issued & Outstanding at March 31, 2009 and December 31, 2008, respectively.		\$ -	\$ -
Common Stock - \$0.001 Par Value 21,739,130 Shares Authorized; 21,136,392 Shares Issued & Outstanding at March 31, 2009 and December 31, 2008, respectively.	10	21,137	21,137
Additional Paid in Capital		29,564,489	26,062,337
Statutory Reserve	2(M),11	2,077,488	2,077,488
Retained Earnings		35,687,478	35,275,457
Accumulated Other Comprehensive Income	2(N)	3,490,285	3,489,228
Total Stockholders' Equity		70,840,877	66,925,647
Total Liabilities & Stockholders' Equity		\$ 97,006,381	\$ 90,683,408

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Operations
For the three months ended March 31, 2009 and 2008
(Stated in US Dollars)

	Note	For three Months ended March 31, 2009	For three Months ended March 31, 2008
Sales	2(O)	\$ 40,893,923	\$ 43,507,098
Cost of Sales	2(P)	(35,169,469)	(36,474,424)
Gross Profit		5,724,454	7,032,674
Operating Expenses			
Selling Expenses	2(Q)	864,959	1,825,277
General & Administrative Expenses	2(R)	559,113	492,974
Total Operating Expense		1,424,072	2,318,251
Operating Income/(Loss)		4,300,382	4,714,423
Other Income (Expenses)			
Other Income		44,606	24,269
Interest Income		113,235	3,985
Other Expenses		(46,623)	(28,650)
Interest Expense		(217,219)	(306,465)
Release of Escrowed Make Good Shares		(3,502,152)	-
Total Other Income (Loss) and Expense		(3,608,153)	(306,861)
Earnings before Tax		692,229	4,407,562
(Income Tax Expense)/Deferred Tax Benefit	2(V),13	(280,208)	(166,345)
Net Income		\$ 412,021	\$ 4,241,217
Earnings Per Share			
	2(Z),16		
- Basic		\$ 0.024	\$ 0.25
- Diluted		\$ 0.019	\$ 0.20
Weighted Average Shares Outstanding			
- Basic		17,272,756	17,272,756
- Diluted		21,136,392	21,182,756

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
At March 31, 2009 and December 31, 2008
(Stated in US Dollars)

	Common		Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive	
	Shares Outstanding	Amount				Other Income	Total
Balance, January 1, 2008	\$ 21,136,392	\$ 21,137	\$ 15,440,043	\$ 751,444	\$ 29,764,236	\$ 2,960,951	\$ 48,937,811
Release of Shares Placed in Escrow	-	-	10,622,294	-	-	-	10,622,294
Net Income	-	-	-	-	6,837,265	-	6,837,265
Appropriations of Retained Earnings	-	-	-	1,326,044	(1,326,044)	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	528,277	528,277
Balance, December 31, 2008	\$ 21,136,392	\$ 21,137	\$ 26,062,337	\$ 2,077,488	\$ 35,275,457	\$ 3,489,228	\$ 66,925,647
Balance, 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	-	-	3,502,152	-	-	-	3,502,152
Net Income	-	-	-	-	412,021	-	412,021
Appropriations of Retained Earnings	-	-	-	-	-	-	-
Foreign Currency Translation Adjustment	-	-	-	-	-	1,057	1,057
Balance, March 31, 2009	\$ 21,136,392	\$ 21,137	\$ 29,564,489	\$ 2,077,488	\$ 35,687,478	\$ 3,490,285	\$ 70,840,877

	At March 31, 2009	At December 31, 2008	Accumulated Totals
Comprehensive Income			
Net Income	\$ 412,021	\$ 6,837,265	\$ 7,249,286
Other Comprehensive Income:			
Foreign Currency Translation Adjustment	1,057	528,277	529,334
	\$ 413,078	\$ 7,365,542	\$ 7,778,620

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Cash Flows
For the three months ended March 31, 2009 and 2008
(Stated in US Dollars)

	For three Months ended March 31, 2009	For three Months ended March 31, 2008
Cash Flow from Operating Activities		
Cash Received from Customers	\$ 36,366,161	\$ 29,071,645
Cash Paid to Suppliers & Employees	(39,601,549)	(47,912,070)
Interest Received	113,235	3,985
Interest Paid (net of amount capitalized)	645,353	(1,075,461)
Income Tax Paid	(19,360)	(191,861)
Miscellaneous Receipts	44,606	24,269
Cash Sourced/(Used) in Operating Activities	(2,451,554)	(20,079,493)
Cash Flows from Investing Activities		
Escrowed Funds from Private Placement Placed in Restricted Cash	2,607	2,092,169
Payments for Purchases of Equipment & Construction of Plant	(3,481,309)	(1,623,365)
Payments for Purchases of Land Use Rights	(18,100)	(261,294)
Payments for Deposits	(43)	(1,356)
Cash Sourced/(Used) in Investing Activities	(3,496,845)	206,154
Cash Flows from Financing Activities		
Financing Transaction - Proceeds Allocated to		
Accrued Liabilities for Liquidated Damages	-	1,700,000
Proceeds from Bank Borrowings	4,390,442	18,223,009
Repayment of Bank Loans	-	(10,724,727)
Cash Sourced/(Used) in Financing Activities	4,390,442	9,198,282
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period	(1,557,957)	(10,675,057)
Effect of Currency Translation	1,057	3,682,295
Cash & Cash Equivalents at Beginning of Period	5,695,798	14,031,851
Cash & Cash Equivalents at End of Period	\$ 4,138,898	\$ 7,039,089
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 months ended March 31, 2009 and 2008
(Stated in US Dollars)

	For three Months ended March 31, 2009	For three Months ended March 31, 2008
Net Income	\$ 412,021	\$ 4,241,217
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	-
Liquidated Damages Included in Accrued Liabilities	-	(1,700,000)
Amortization	67,102	(208,889)
Depreciation	565,157	667,821
Provision for Bad Debt	(99)	3,522
Decrease/(Increase) in Accounts Receivable	2,071,840	(2,385,252)
Decrease/(Increase) in Other Receivable	10,494	(569,194)
Decrease/(Increase) in Related Party Receivable	(6,927,188)	(11,542,409)
Decrease/(Increase) in Inventory	157,249	(1,549,996)
Decrease/(Increase) in Advance to Suppliers	(120,446)	(7,556,671)
Decrease/(Increase) in Prepaid Taxes	127,788	(88,049)
Decrease/(Increase) in Prepaid Expenses	(334,114)	28,530
Decrease/(Increase) in Deferred Tax Benefit	(809)	(25,516)
Increase/(Decrease) in Accounts Payable	(3,779,839)	(119,434)
Increase/(Decrease) in Taxes Payable	784,896	420,563
Increase/(Decrease) in Other Payable	(188,377)	(12,455)
Increase/(Decrease) in Accrued Liabilities	883,429	258,839
Increase/(Decrease) in Customer Advances	317,190	57,880
Total of all adjustments	(2,863,575)	(24,320,710)
Net Cash Provided by/(Used in) Operating Activities	\$ (2,451,554)	\$ (20,079,493)

See Notes to Financial Statements and Accountant's Report

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

1. The Company and Principal Business Activities

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

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

The Company’s primary business activities are the production and packing of fresh pork and also production of processed meat products for distribution and sale to clients throughout the PRC and Russia.

Corporate Reorganization

PRC law currently has limits on foreign ownership of certain companies. To enable Chuming to raise equity capital from investors outside of China, it established an offshore holding company by incorporating Precious Sheen Investments Limited in the British Virgin Islands in May 2007. On September 26, 2007, Chuming entered into share transfer agreements with Dalian Chuming Group Co., Ltd., under which Dalian Chuming Group Co., Ltd. agreed to transfer ownership of three operating subsidiaries (collectively known as “Chuming Operating Subsidiaries”) to Chuming. On October 23, 2007, Chuming completed all required registrations to complete the share transfer, and became the 100% owner of the Chuming Operating Subsidiaries. On November 14, 2007 the Dalian Commerce Bureau approved the transfer of Dalian Chuming Group Co., Ltd’s 68% interest in Chuming to PSI, and upon this transfer, Chuming became a wholly foreign owned enterprise, with PSI as the 100% owner of Chuming (including its subsidiaries). On December 13, 2007, the PRC government authorities issued Chuming a business license formally recognizing it as a wholly foreign owned enterprise, of which PSI is the sole shareholder.

The following is a description of the Chuming Operating Subsidiaries: -

A. Dalian Chuming Slaughter and Packaging Pork Company Ltd., whose primary business activity is acquiring, slaughtering, and packaging of pork and cattle;

B. Dalian Chuming Processed Foods Company Ltd., whose primary business activity is the processing of raw and cooked meat products; and

C. Dalian Chuming Sales Company Ltd., which is responsible for Chuming’s sales, marketing, and distribution operations.

Share Exchange Transaction

On December 31, 2007, the Company acquired all of the outstanding shares of PSI in exchange for the issuance of 16,850,000 restricted shares of our common stock to the shareholders of PSI, which represented approximately 97.55% of the then-issued and outstanding common stock of the Company (excluding the shares issued in the Financing). As a result of that transaction, PSI became our wholly owned subsidiary and we acquired the business and operations of the three operation subsidiaries.

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.

Energroupholdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2009 and December 31, 2008

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, 2009, 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.

(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.

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Energroupholdings Corporation
 Notes to Consolidated Financial Statements
 As of March 31, 2009 and December 31, 2008

(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

(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.