J2 GLOBAL COMMUNICATIONS INC
Form 10-K
February 25, 2008

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

FORM 10-K

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x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIESEXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIESEXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-25965

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j2 GLOBAL COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	51-0371142
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028, (323) 860-9200
(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No x

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 "small reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

As of the last business day of the registrant's most recently completed second fiscal quarter, the approximate aggregate market value of the common stock held by non-affiliates, based upon the closing price of the common stock as quoted by the NASDAQ Global Select Market was $1,028,905,537. Shares of common stock held by executive officers, directors and holders of more than 5% of the outstanding common stock have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 13, 2008, the registrant had 48,668,458 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 1, 2008 are incorporated by reference into Part III of this Form 10-K.

This Annual Report on Form 10-K includes 72 pages with the Index to Exhibits located on page 63.

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PART I

Item 1. Business

Company Overview

j2 Global Communications, Inc. ("j2 Global", "our", "us" or "we") is a Delaware corporation founded in 1995. By leveraging the power of the Internet, we provide outsourced, value-added messaging and communications services to individuals and businesses throughout the world. We offer fax, voicemail, email and call handling services and bundled suites of certain of these services. We market our services principally under the brand names eFax®, eFax Corporate®, eFaxDeveloperTM, Fax.comTM, Send2Fax®, eFax BroadcastTM, jBlast®, jConnect®, Onebox®, Onebox ReceptionistTM, RapidFAXTM, eVoice®, eVoice ReceptionistTM, YAC® and Electric Mail®.

We deliver many of our services through our global telephony/Internet Protocol ("IP") network, which spans more than 3,000 cities in 42 countries across five continents. We have created this network, and continuously seek to expand it, through negotiating with U.S. and foreign telecommunications and co-location providers for telephone numbers (also referred to as Direct Inward Dial numbers or "DIDs"), Internet bandwidth and co-location space for our equipment. We maintain and seek to grow an inventory of telephone numbers to be assigned to new customers. Most of these numbers are "local" (as opposed to toll-free), which enables us to provide our paying subscribers telephone numbers with a geographic identity. In addition to growing our business internally, we have used small acquisitions to grow our customer base, enhance our technology and acquire skilled personnel.

Our core services include fax, voicemail, email and call handling, as well as bundled suites of certain of these services. These are business services that make our customers more efficient, more mobile, more cost-effective and more secure than traditional alternatives. We generate substantially all of our revenues from subscribers that pay activation, subscription and usage fees. Activation and subscription fees are referred to as "fixed" revenues, while usage fees are referred to as "variable" revenues. We also generate revenues from patent licensing fees, advertising and revenue share from our customers' use of premium rate telephone numbers. Of the nearly 12.0 million telephone numbers deployed as of December 31, 2007, more than one million were serving paying subscribers, with the balance deployed to free subscribers, including those with premium rate telephone numbers. We operate in one reportable segment: value-added messaging and communications services, which provides for the delivery of fax, voicemail and email messages and communications via the telephone and/or Internet networks.

During the past three years, we have derived a substantial portion of our revenues from our DID-based services, including eFax, Onebox, Onebox Receptionist,eVoice and eVoice Receptionist. As a result, we believe that paying DIDs and the revenues associated therewith are an important metric for understanding our business. It has been and continues to be our objective to increase the number of paying DIDs through a variety of distribution channels and marketing arrangements and by enhancing our brand awareness. In addition, we seek to increase revenues through a combination of stimulating use by our customers of usage-based services, introducing new services and instituting appropriate price increases to our fixed monthly subscription and other fees.

We market our services to a broad spectrum of prospective customers including individuals, small to medium-sized businesses and large enterprises and government organizations. Our marketing efforts include enhancing brand awareness; utilizing online advertising through Internet portals, Internet service providers ("ISPs"), search engines and affiliate programs; and selling through both a telesales and direct sales force. Currently, we have seven primary methods by which we acquire paying subscribers: (i) selling direct through our Websites such as www.efax.com, www.j2.com, www.onebox.com, www.evoice.com and www.evoicereceptionist.com; (ii) attracting direct paying individual subscribers through various Internet portals, ISPs, search engines and affiliate programs; (iii) promoting our solutions to small to mid-sized businesses through our www.efaxcorporate.com, www.oneboxreceptionist.com and www.evoicereceptionist.com Websites assisted by in-house sales representatives; (iv) converting a portion of our free base of customers to a paid solution; (v) selling our solutions to large enterprises and governmental organizations

through our direct sales force; (vi) attracting international individual and business customers through our international Websites and direct sales force; and (vii) offering additional services to our existing customers. We continuously seek to extend the number of distribution channels through which we acquire paying customers and improve the cost and volume of customers obtained through our current channels.

In addition to growing our business organically, we have used small acquisitions to grow our customer base, enhance our technology and acquire skilled personnel. During 2007 we completed two acquisitions: we purchased YAC Limited, an Ireland-based provider of messaging services primarily providing services in the United Kingdom, and we purchased the RapidFAX business of Easylink Services International Corporation, including its customer contracts, the RapidFAX trademark and other related assets. During 2006, we purchased substantially all of the assets and operations of Send2Fax, LLC, a South Carolina provider of Internet fax services.

Through a combination of internal technology development and acquisitions, we have built a patent portfolio consisting of 56

issued U.S. and foreign patents and numerous pending U.S. and foreign patent applications. We generate licensing revenues from some of these patents. We intend to continue to invest in patents, to aggressively protect our patent assets from unauthorized use and to continue to generate patent licensing revenues from authorized users. For more information on our patents and other intellectual property, please refer to the section entitled “Patents and Proprietary Rights” contained in Item 1 of this Annual Report on Form 10-K.

Our Solutions

We believe businesses and individuals are increasingly outsourcing their communication and messaging needs. Their goal is to reduce or eliminate costs while also enhancing the security of transmissions and user efficiency. Our core eFax solution enables users to receive faxes into their email inboxes. Our core eVoice Receptionist and Onebox Receptionist solutions provide customers a virtual receptionist with various available enhancements. These services represent more efficient and less expensive solutions than many existing alternatives, and provide for increased security, privacy and message handling flexibility (e.g., the ability to store messages electronically and forward them by simply forwarding an email).

We currently offer integrated solutions designed to replace or augment individual and corporate messaging and communication services. We tailor our solutions to satisfy the differing needs of our customers. Our paid services allow a subscriber to select a local telephone number from among approximately 3,000 cities around the world. Toll-free U.S. and Canadian telephone numbers are also available, as are premium rate numbers in various countries in Western Europe. Our services also enable our customers to scale up or down, on a variable cost basis, the amount of messaging they may require to accommodate their changing business needs. In addition, our services enhance the ability of businesses to provide messaging services to their remote workforces, increase their level of information security and control and allocate costs more effectively.

We offer the following services and solutions:

Fax Mail

eFax offers desktop faxing services. Various tiers of service provide increasing levels of features and functionality. Our eFax Free® service is our limited use, advertising-supported “introductory offering,” which assigns the subscriber a unique randomly selected telephone number that enables the user to receive a limited number of faxes into his or her personal email inbox and to access these messages via a Web-based email interface. In exchange, the subscriber agrees to receive and open email advertising, which we distribute on a consistent basis. In various countries in Western Europe, we also offer premium rate telephone numbers at no charge to our subscribers. Our eFaxPlus® and eFax ProTM services allow a subscriber to choose either a toll-free telephone number that covers both the U.S. and Canada or a local telephone number in one of approximately 3,000 cities worldwide. This service level enables subscribers to receive inbound fax messages in their email inboxes, access these messages via a full-featured Web-based email interface and send digital documents to any fax number in the world directly from their desktops. This service offering is also localized in many international currencies and languages, including Dutch, French, German, Italian, Polish, Portuguese and Spanish.

eFax Corporate offers capabilities similar to those offered by eFax Plus and eFax Pro, but with added features and tools geared towards enterprises and their users. For example, we provide our corporate customers a Web browser-based account administration interface, which enables them to provision telephone numbers to employees, as needed, without contacting our account representatives. eFax Corporate also offers the option of enhanced security features, which are particularly attractive to law firms and companies in regulated industries such as banking, brokerage and healthcare.

eFaxDeveloper offers high-volume, production fax solutions. Designed for quick and simple integration with application environments, eFaxDeveloper provides inbound and outbound fax services through a secure XML

interface. Enhanced features such as bar-code recognition, dynamic retries, and high speed transmission are included and accessible 24/7/365. Robust fax capabilities can easily be implemented through simple Java and .NET SDKs, or through a Universal web post solution. It provides the scaling power of an outside fax service with the flexibility of an internal server without requiring additional equipment, supplies or expertise.

Fax.com, RapidFAX and Send2Fax are alternative desktop faxing solutions that are offered under a variety of pricing plans geared primarily toward the individual or small business user.

eFax Broadcast and jBlast offer cost-effective solutions for high-volume outbound faxing. These services enable users to send important documents simultaneously to hundreds or thousands of recipients anywhere in the world. Customers do not need special computer equipment, expensive fax boards or multiple phone lines. These services also enable customers to accurately monitor the status of their faxes and update their database of “Do Not Fax” names and undeliverable fax numbers.

Unified Communications

jConnect® offers two levels of service. jConnect Free® is j2 Global’s limited use, advertising-supported “introductory offering,” which assigns each subscriber a unique randomly selected telephone number that enables the user to receive a limited number of faxes and voicemails into his or her personal email inbox and to access these messages via a Web-based email interface. In exchange, the customer agrees to receive and open email advertising,

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which we distribute on a consistent basis. jConnectPremier® allows the subscriber to choose either a toll-free U.S. and Canadian telephone number or a local telephone number in one of approximately 3,000 cities worldwide. This service level enables subscribers to receive inbound fax and voicemail messages in their email inboxes, access these messages via a full-featured Web-based email interface and send digital documents to any fax number in the world directly from their desktops. jConnect Premier subscribers also have the ability to access all messages, including email, from any touch-tone telephone and have access to the jConnect telephone or Web-initiated sixteen-party conference calling solution.

Onebox®is a full-featured suite of unified communications services, including email, voicemail, fax and “find me/follow me.” Onebox offers three levels of service, all paid, ranging from the basic Onebox Unified Messaging suite of services – which provides the subscriber a unique toll-free number and enables him or her to receive voicemail messages or faxes via email or access them by telephone; to send, receive or reply to faxes or voicemail messages online or by telephone; and to store faxes and email messages online – to the Onebox Receptionist suite of services, which provides the subscriber a virtual PBX in addition to the features available under the other service tiers.

Voice

eVoice® is an Internet voicemail answering service that delivers a subscriber’s voicemail messages to their email inbox. Like eFax Free and jConnect Free, eVoice FreeTM is j2 Global’s advertising-supported “introductory offering.” Each subscriber is given a unique randomly assigned telephone number, which enables them to receive a limited number of voicemail messages via email and to access these messages via a Web-based email interface. With eVoice PlusTM, the subscriber may choose either a toll-free U.S. and Canadian telephone number or a local telephone number in one of approximately 3,000 cities worldwide, from which the subscriber can access his or her voicemail messages via a full-featured Web-based email interface or via telephone and receive text message notifications upon receipt of new messages.

eVoice ReceptionistTM and OneboxTM Receptionist are virtual PBX solutions that provide small and medium-sized businesses on-demand voice communications services, featuring a toll-free company telephone number, a professionally-produced auto-attendant and menu tree. With these services, a subscriber can also assign departmental and individual extensions that can connect to any U.S. or Canadian telephone number, including traditional land-line telephones as well as mobile and IP networks. These services also include advanced integrated voicemail for each extension, effectively unifying mobile, office and other separate voicemail services.

YAC® offers on demand, communication solution services to individuals, small and medium-sized businesses, and large enterprises. These services include a range of call management solutions that provide re-direction, customer greeting, call queuing/call waiting and routing functionality.

Email

Electric Mail® is an outsourced hosted email service we offer to businesses. From its Electric WebMailTM, E-mmunityTM virus scanning and SpamSMARTTM SPAM filtering to professional consulting and needs analysis, Electric Mail develops and delivers customized email and perimeter protection solutions that can be hosted offsite or installed at a customer site with seamless integration into a customer's existing email systems. In November 2006, we launched VaultSMARTTM and PolicySMARTTM, unique new email archiving service, as part of our Electric Mail service offering. VaultSmart delivers the enterprise-class advantages of a secure, scalable email archive and customizable compliance tools to correspond to a company’s records retention policy.

Global Network and Operations

We have multiple physical Points of Presence (“POPS”) worldwide, a central data center in Los Angeles and a remote disaster recovery facility. We connect our POPS to our central data centers via redundant, and often times diverse,

Virtual Private Networks ("VPNs") using the Internet. Our network is designed to deliver value-added user applications, customer support, billing and a local presence in over 3,000 cities in 42 countries on five continents. Our network covers all major metropolitan areas in the U.S., U.K., Canada and Germany and such other major cities as Hong Kong, London, Madrid, Manila, Mexico City, Milan, Paris, Rome, Singapore, Sydney, Taipei, Tokyo and Zurich. For financial information about geographic areas, see Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K.

We obtain telephone numbers from various local carriers throughout the U.S. and internationally. Our ability to continue to acquire additional quantities of telephone numbers in desired locations in the future will depend on our relationships with our local carriers, our ability to pay market prices for such telephone numbers, a continuing growth in alternate providers and the regulatory environment. Please refer to the sections entitled "Government Regulation" and "Risk Factors" contained in Item 1 and 1A, respectively, of this Annual Report on Form 10-K.

Customer Support Services

Our Customer Service organization provides support to our customers through a combination of online self-help, email messages, interactive chat sessions and telephone calls. Our Internet-based online self-help tools enable customers to resolve simple issues on their own, eliminating the need to speak or write to our customer service representatives. We provide email support seven days per week, 24 hours per day to all subscribers. We use internal personnel and contracted third parties (on a dedicated personnel basis) to answer our customer emails and telephone calls and to participate in interactive chat sessions. Paying subscribers have access to live-operator telephone support 15 hours per day on business days. Dedicated telephone support is provided for Corporate customers 24 hours per day, seven days per week.

Competition

Competition in the outsourced, value-added messaging and communications space is fierce and continues to intensify. We face competition from, among others, fax-to-email providers, broadcast fax companies, traditional fax machine or multi-function printer companies, unified messaging/communications providers, telephone companies, voicemail providers, companies offering PBX systems and outsourced PBX solutions and email providers. We believe that the primary competitive factors determining success in the market for value-added messaging and communications services include pricing, reputation for reliability and security of service, intellectual property ownership, effectiveness of customer support, service and software ease-of-use, service scalability, customer messaging and branding, geographic coverage, scope of services and local language sales, messaging and support.

Our most popular solutions relate to faxing, including the ability to deliver faxes to our customers via email and our outbound desktop faxing capabilities. These solutions compete primarily against traditional fax machine manufacturers, which are generally large and well established companies, providers of fax servers and related software, such as Captaris, Inc., as well as publicly traded and privately-held application service providers, such as Premiere Global Services, Inc. (formerly PTEK Holdings Inc.) and Easylink Services International Corporation (formerly Easylink Services Corporation). Some of these companies may have greater financial and other resources than we do. For more information regarding the competition that we face, please refer to the section entitled “Risk Factors” contained in Item 1A of this Annual Report on Form 10-K.

Patents and Proprietary Rights

We regard the protection of our intellectual property rights as important to our success. We aggressively protect these rights by relying on a combination of patents, trademarks, copyrights, trade dress and trade secret laws and by using the domain name dispute resolution system. We also enter into confidentiality and invention assignment agreements with employees and contractors, and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information.

We have a portfolio of 56 issued U.S. and foreign patents and have numerous pending U.S. and foreign patent applications, all covering components of our technology and in some cases technologies beyond those that we currently offer. We seek patents for inventions that contribute to our business and technology strategy. We have obtained patent licenses for certain technologies where such licenses are necessary or advantageous. Unless and until patents are issued on the pending applications, no patent rights on those applications can be enforced.

Over the past three years we have generated royalties from licensing certain of our patents and have enforced these patents against companies using our patented technology without our permission. We have pending patent infringement lawsuits against several companies. In each case, we are seeking at least a reasonable royalty for the infringement of the patent(s) in suit, a permanent injunction against continued infringement and attorneys’ fees, interest and costs. Some of these cases have been stayed due to pending re-examination proceedings on certain of our U.S. patents with the U.S. Patent and Trademark Office, and others continue to proceed forward.

We own and use a number of trademarks in connection with our products and services, including eFax and the eFax logo, jConnect, j2 and the j2 logo, eFax Corporate, Onebox and the Onebox logo, Onebox Receptionist, Electric Mail and the Electric Mail logo, eVoice and the eVoice logo, eVoice Receptionist, Send2Fax, YAC, PumaOne, RapidFAX, jBlast, PaperMaster and Email-By-Phone, among others. Many of these trademarks are registered in the U.S. and other countries, and numerous trademark applications are pending in the U.S. and several non-U.S. jurisdictions. We hold numerous Internet domain names, including “efax.com”, “jconnect.com”, “fax.com”, “j2.com”, “j2global.con “onebox.com”, “electricmail.com”, “efaxcorporate.com” and “evoice.com”, among others. We have in place an active progran to continue securing “eFax” and other domain names in non-U.S. jurisdictions. We have filed to protect our rights to the “eFax” and other names in certain new top-level domains such as “.biz”, “.info” and “.us” that have become operational more recently.

Like other technology-based businesses, we face the risk that we will be unable to protect our intellectual property and other proprietary rights, and the risk that we will be found to have infringed the proprietary rights of others. For more information regarding these risks, please refer to the section entitled “Risk Factors” contained in Item 1A of this Annual Report on Form 10-K.

Government Regulation

As our services relate principally to the Internet and telecommunications, we are subject to a number of international, federal, state and local laws and regulations addressing issues such as privacy, data protection, freedom of expression, indecency, obscenity, defamation, libel, pricing, online products and services, taxation, content, advertising, copyrights and other intellectual property, information security and technological convergence. The nature of any related new laws and regulations and the manner in which existing and new laws and regulations may be interpreted and enforced cannot be predicted with certainty.

We provide our services through data transmissions over public telephone lines and other facilities provided by telecommunications companies (“carriers”). These transmissions and carriers are subject to regulation by the U.S. Federal Communications Commission (“FCC”), state public utility commissions and foreign governmental authorities. However, as an Internet messaging services provider, we are generally not subject to direct regulation by any governmental agency in the U.S., other than regulations applicable to businesses generally. This is not the case in some international locations. Nevertheless, as Internet services and telecommunications services converge or the services we offer expand, we may face increased regulation of our business. For example, the FCC has initiated several proceedings to examine regulations regarding the delivery of broadband services in the U.S., the outcomes of which may affect the regulatory requirements for the transmission of services such as those we provide. The FCC is also reviewing the system for inter-carrier compensation that may affect the prices we pay for telephone number acquisition, transmission and switching services, while continued regulation of competition in the telecommunications industry may have an indirect effect on our services.

Continued regulation arising from telephone number administration may also make it more difficult for us to obtain necessary numbering resources. For example, in the U.S., the FCC allows states to petition for authority to adopt specialized area codes, including area codes that would include specific technologies like those we offer. We have sought reconsideration from the FCC of this decision, and the outcome of this proceeding could affect our ability to offer services in competition with incumbents. While our petition has been pending, California and Connecticut have requested authority to adopt special area codes that would include unified messaging. The FCC conditionally granted Connecticut’s petition in 2003, but the state has not yet adopted a specialized code. The FCC granted California’s petition with fewer conditions. We opposed California’s request for this authority and are now participating in the reconsideration stage of the FCC proceeding. Whether other states apply for and implement specialized area codes could affect our ability to compete in those states. Similar regulation has occurred internationally and may continue to be enacted in additional locations in the future.

The FCC is also examining inter-carrier compensation for calls to ISPs, which could affect ISPs’ costs and consequently substantially increase the costs of communicating via the Internet. This increase in costs could slow the growth of Internet use, decrease the demand for our services and increase our costs. However, Internet users are rapidly migrating to other methods of Internet access, such as cable broadband, thereby mitigating the concern that additional costs applied to ISPs will have a significant impact on our services.

In addition, Congress and the FCC have initiated a review of legislation and regulations related to the “Universal Service Fund” (“USF”), which subsidizes the U.S. telecommunications system. Congress and the FCC are considering altering the formula by which entities contribute to the USF and could impose a flat fee per telephone line to support the USF. If adopted without an exemption for our services, this change would alter or eliminate the provision of our non-paid (free advertising-supported) services, and would cause us to raise the price of our paid service. Other changes to the USF may also increase our costs and impact our operations.

The FCC is authorized to take enforcement action against companies that send so-called “junk faxes” and has held numerous fax broadcasters liable for violating the Telephone Consumer Protection Act of 1991 (“TCPA”), the Junk Fax Prevention Act of 2005 (“Junk Fax Act”) and related FCC rules. Individuals may also, under certain circumstances, have a private cause of action for violations and recover monetary damages for such violations. Entities that merely transmit facsimile messages on behalf of others may be found liable if they have a high degree of involvement in transmitting junk faxes or have actual notice of illegal junk fax transmissions and failed to take steps to prevent such transmissions. We take significant steps to ensure that our services are not used to transmit unsolicited faxes on a large scale and we do not believe that we have a high degree of involvement or notice of the use of our service to broadcast junk faxes. However, because fax transmitters do not enjoy an absolute exemption from liability under the rules, we could face FCC inquiry and enforcement, civil litigation, or private causes of action, which could result in financial penalties that could cause material adverse effects to our operations. We are currently involved in litigation involving alleged violations of the TCPA with Protus IP Solutions, Inc. For more information about this lawsuit, see Item 3 of this Annual Report on Form 10-K entitled “Legal Proceedings.”

E.U. Member States have adopted strong protections governing the use of personal data about individuals. For example, the E.U. Privacy Directive requires Member States to adopt legislation that prohibits the transfer of personal data from an E.U. country to a non-E.U. country that lacks “adequate” data protection laws. Because the E.U. has determined that the U.S. lacks adequate data protection laws, persons failing to follow certain alternative procedures risk the interruption of data flows between E.U. countries and the U.S. E.U. Member States have also adopted legislation restricting sending unsolicited communications to individuals via automatic calling machines, fax and email. Generally, companies must obtain “prior explicit” (i.e., opt-in) consent before they can contact users via this type of marketing. E.U. Member States have also adopted consumer protection legislation with respect to electronic commerce. Other non-U.S. legislation dealing with privacy, data protection, marketing and consumer protection could also have a direct impact on business conducted over the Internet.

Future developments in laws that govern online activities might inhibit the growth of the Internet, impose taxes, mandate costly technical requirements, create uncertainty in the market or otherwise have an adverse effect on the Internet. There is also substantial uncertainty as to the applicability to the Internet of laws governing issues such as property ownership, fraud, tort, copyrights and other intellectual property issues, taxation, defamation, obscenity and privacy, which did not contemplate the existence of the Internet. These developments could, in turn, have a material adverse effect on our business, prospects, financial condition and results of operations. Also uncertain is the impact of foreign legal developments regarding jurisdiction and choice of law for cases involving Internet-based activities.

Seasonality and Backlog

Our subscriber revenues are impacted by the number of effective business days in a given period. For example, we believe that we experience fewer subscriber sign-ups and less usage-based revenues during the fourth-quarter holiday season.

We experience no material backlog in sales orders or the provisioning of customer orders.

Research and Development

The markets for our services are evolving rapidly, requiring ongoing expenditures for research and development and timely introduction of new services and service enhancements. Our future success will depend, in part, on our ability to enhance our current services, to respond effectively to technological changes, to sell additional services to our existing customer base and to introduce new services and technologies that address the increasingly sophisticated needs of our customers.

We devote significant resources to the development of enhancements to our existing services and to introduce new services. Our research, development and engineering expenditures were approximately $11.8 million, $8.8 million and $7.1 million for the fiscal years ended December 31, 2007, 2006 and 2005, respectively. For more information regarding the technological risks that we face, please refer to the section entitled “Risk Factors” contained in Item 1A of this Annual Report on Form 10-K.

Employees

As of December 31, 2007, we employed a total of 410 employees, the majority of whom are in the U.S.

Our future success will depend, in part, on our ability to continue to attract, retain and motivate highly qualified technical, marketing and management personnel. Our employees are not represented by any collective bargaining unit or agreement. We have never experienced a work stoppage. We believe our relationship with our employees is good.

Web Availability of Reports

Our corporate information Website is www.j2global.com. The information on our Website is not part of this Annual Report on Form 10-K. However, on the Investor Relations portion of this Website the public can access free of charge our annual, quarterly and current reports, changes in the stock ownership of our directors and executive officers and other documents filed with the Securities and Exchange Commission ("SEC") as soon as reasonably practicable after the filing dates. Further, the SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Item 1A. Risk Factors

Before deciding to invest in j2 Global or to maintain or increase your investment, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained in this Annual Report on Form 10-K and in our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, prospects, financial condition, operating results and cash flows could be materially adversely affected. In that event, the market price of our common stock will likely decline and you may lose part or all of your investment.

Risks Related To Our Business

In order to sustain our growth, we must continue to attract new paid subscribers at a greater rate and with at least an equal amount of revenues per subscriber than we lose existing paid subscribers.

We may not be able to continue to grow or even sustain our current base of paid customers on a quarterly or annual basis. Our future success depends heavily on the continued growth of our paid user base. In order to sustain our growth we must continuously obtain an increasing number of paid users to replace the users who cancel their service. In addition, these new users must provide revenue levels per subscriber that are greater than or equal to the levels of our current customers or the customers they are replacing. We must also retain our existing customers while continuing to attract new ones at desirable costs. We cannot be certain that our continuous efforts to offer high quality services at attractive prices will be sufficient to retain our customer base or attract new customers at rates sufficient to offset customers who cancel their service. In addition, we believe that competition from companies providing similar or alternative services has caused, and may continue to cause, some of our customers or prospective customers to sign up with or to switch to our competitors' services. These factors may adversely affect our customer retention rates, the number of our new customer acquisitions and/or their usage levels. Any combination of a decline in our rate of new customer sign-ups, decline in usage rates of our customers, decline in customer retention rates or decline in the size of our overall customer base may result in a decrease in our revenues, which could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Weakness in the financial markets and in the economy as a whole has adversely affected and may continue to adversely affect segments of our customers, which has resulted and may continue to result in decreased usage levels, customer acquisitions and customer retention rates and, in turn, could lead to a decrease in our revenues or rate of revenue growth.

Certain segments of our customers - those whose business activity is tied to the health of the credit markets and the broader economy, such as banks, brokerage firms and those in the real estate industry - have been and may continue to be adversely affected by the current turmoil in the credit markets and weakness in the broader mortgage market and the general economy. To the extent our customers' businesses have been adversely affected by these economic factors and their usage levels of our services decline, we have and may continue to experience a decrease in our average usage per subscriber and, therefore, a decrease in our average variable revenue per subscriber. In addition, continued weakness in the economy has adversely affected and may continue to adversely affect our customer retention rates and the number of our new customer acquisitions. These factors have adversely impacted, and may continue to adversely impact, our revenues and rate of revenue growth.

Our financial results may be adversely impacted by higher-than-expected tax rates or exposure to additional income tax liabilities.

We are a U.S.-based multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Our provision for income taxes is based on jurisdictional mix of earnings, statutory rates and enacted tax rules, including transfer pricing. Significant judgment is required in determining our provision for income taxes and in evaluating our tax positions on a worldwide basis. It is possible that these positions may be challenged or we may find tax-beneficial intercompany transactions to be uneconomical, either of which may have a significant impact on our effective tax rate.

A number of factors affect our income tax rate and the combined effect of these factors could result in an increase in our effective income tax rate. An increase in future effective income tax rates would adversely affect net income in future periods. We operate in different countries that have different income tax rates. Effective tax rates could be adversely affected by earnings being lower than anticipated in countries having lower statutory rates and higher than anticipated in countries having higher statutory rates, by changes in the valuation of deferred tax assets or liabilities or by changes in tax laws or interpretations thereof.

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes by creating a framework for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions that they have taken or expect to take in a tax return. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes (see Note 8 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K).

We are also exposed to risks related to the effects of changes in foreign currency exchange rates and interest rates, and we may be subject to incremental taxes upon repatriation of funds. While we carefully watch and attempt to manage these exposures, these types of changes can have a material adverse effect on our business.

In addition, we are subject to examination of our income tax returns by the U.S. Internal Revenue Service and other tax authorities. We are currently under audit by the Internal Revenue Service for the 2005 tax year (see Note 8 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K). We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our income tax reserves and expense. If our reserves are not sufficient to cover these contingencies, such inadequacy could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

A system failure or breach of system or network security could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

Our operations are dependent on our ability to protect our network from interruption by damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry, computer viruses or other events beyond our control. There can be no assurance that our existing and planned precautions of backup systems, regular data backups, security protocols and other procedures will be adequate to prevent significant damage, system failure or data loss. Also, despite the implementation of security measures, our infrastructure may be vulnerable to computer viruses, hackers or similar disruptive problems caused by our subscribers, employees or other Internet users who attempt to invade public and private data networks. Any damage, system failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our customers' confidential information could result in significant liability to us, cause considerable harm to our reputation and deter current and potential customers from using our services. Any of these events could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our security measures may not prevent security breaches that could harm our business. Currently, a significant number of our users authorize us to bill their credit card accounts directly for all transaction fees charged by us. We rely on encryption and authentication technology to effect secure transmission of confidential information, including customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect transaction data. Any compromise of our security could harm our reputation and, therefore, our business, and also subject us to significant liability. In addition, a party who is able to circumvent our security measures could misappropriate proprietary information, cause interruptions in our operations, damage our computers or those of our users or otherwise damage our reputation and business.

Our business is dependent on a small number of telecommunications carriers in each region and our inability to maintain agreements at attractive rates with such carriers may negatively impact our business.

Our business substantially depends on the capacity, affordability, reliability and security of our telecommunications networks. Only a small number of carriers in each region, and in some cases only one carrier, offer the telephone number and network services we require. Certain of our telecommunications services are provided pursuant to short-term agreements that the providers can terminate or elect not to renew. As a result, any or all of our current carriers could discontinue providing us with service at rates acceptable to us, or at all, and we may not be able to obtain adequate replacements, which could materially and adversely affect our business, prospects, financial condition, operating results and cash flows.

General market forces, the failure of providers, regulatory issues and other factors could result in increased telecommunications costs, which would in turn increase the cost of providing our services. If significant, these increases could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

Increased cost of email transmissions could have a material adverse effect on our business.

We rely on email for the delivery of our fax and voicemail messages. In addition, we derive some advertising revenues through the delivery of email messages to our free subscribers and we regularly communicate with our subscribers via email. If regulations or other changes in the industry lead to a charge associated with the sending or receiving of email or voicemail messages, the cost of providing our services would increase and, if significant, could materially adversely affect our business, prospects, financial condition, operating results and cash flows.

If we experience excessive fraudulent credit card charges or cannot meet evolving credit card company merchant standards, we could lose the right to accept credit cards for payment and our subscriber base could decrease significantly.

A significant number of our paid subscribers authorize us to bill their credit card accounts directly for all service fees charged by us. We incur losses from claims that the customer did not authorize the credit card transaction to purchase our service. If the numbers of unauthorized credit card transactions become excessive, we could be assessed substantial fines for excess chargebacks and we could lose the right to accept credit cards for payment. In addition, credit card companies may change the merchant standards

required to utilize their services from time to time. If we are unable to meet these new standards, we could be unable to accept credit cards. Our inability to accept credit card payments could cause our paid subscriber base to significantly decrease, which could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our business could suffer if we cannot obtain or retain telephone numbers, are prohibited from obtaining local numbers or are limited to distributing local numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local telephone numbers in the U.S. and foreign countries in desirable locations at a reasonable cost and offer our services to our prospective customers without restrictions. Our ability to procure and distribute telephone numbers depends on factors such as applicable regulations, the practices of telecommunications carriers that provide telephone numbers, the cost of these telephone numbers and the level of demand for new telephone numbers. In addition, although we are the customer of record for all of our U.S. telephone numbers, from time to time, certain U.S. telephone carriers illegally port our telephone numbers away from us to other carriers. Also, in some foreign jurisdictions, under certain circumstances, our customers are permitted to port their telephone numbers to another carrier. These factors could lead to increased cancellations by our customers and loss of our telephone number inventory. Failure to obtain telephone numbers in a timely and cost-effective manner, increased porting away of our telephone numbers or regulatory restrictions on our ability to market our services without restriction may have a material adverse effect on our business, prospects, financial condition, operating results, cash flows and growth in or entry into foreign or domestic markets.

For example, in the U.S., the FCC has adopted an order that permits states to apply to the FCC for delegated authority to implement specialized area codes that would segregate services, which may include “unified messaging” and other services that the FCC perceives as being “geographically insensitive,” into unique area codes. We have petitioned the FCC for reconsideration of this decision, which remains pending. The outcome of this petition may reduce demand by our customers or prospective customers for new DIDs in the affected areas, if it restricts us from obtaining telephone numbers in area codes that are generally perceived as local by consumers. Two states, Connecticut and California, have petitioned the FCC for such authority. The FCC conditionally granted Connecticut’s petition in 2003, but the state has not adopted a specialized code. We participated in Connecticut’s proceedings to attempt to obtain a nondiscriminatory outcome. If the state goes forward at some future date and adopts a specialized area code, the outcome of this proceeding could affect our ability to compete in the state. The FCC granted California’s petition with fewer conditions. We are now participating in the reconsideration stage of that FCC decision, asking for clarification that the decision will not apply to our services. The outcome of the FCC decision and California’s eventual implementation of it may affect our ability to obtain telephone numbers that are perceived by consumers as being local. Similar regulation has occurred in some international locations and may continue to be enacted in additional locations in the future. For instance, Germany prohibits issuing a local telephone number to anyone without a physical presence in the area associated with a local area code. If this continues, it may materially affect our ability to acquire the telephone numbers for our operations.

In addition, future growth in our subscriber base, together with growth in the subscriber bases of providers of other fax and/or voicemail to email and unified messaging services, may increase the demand for large quantities of telephone numbers, which could lead to insufficient capacity and our inability to acquire sufficient telephone numbers to accommodate our future growth.

Inadequate intellectual property protections could prevent us from enforcing or defending our proprietary technology.

Our success depends in part upon our proprietary technology. We rely on a combination of patents, trademarks, trade secrets, copyrights and contractual restrictions to protect our proprietary technology. However, these measures provide only limited protection, and we may not be able to detect unauthorized use or take appropriate steps to enforce our intellectual property rights, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the U.S. While we have been issued a number of patents and other patent applications are currently

pending, there can be no assurance that any of these patents will not be challenged, invalidated or circumvented, or that any rights granted under these patents will in fact provide competitive advantages to us.

Currently, three of our patents are subject to re-examination proceedings with the U.S. Patent and Trademark Office. The result of these proceedings could limit or invalidate some or all of the claims under these patents, which could require us to record an impairment of our patent asset in our consolidated financial statements. In that case, we would be required to record a charge to earnings in our consolidated financial statements during the period in which the impairment of our patent is determined. This may adversely impact our results of operations.

In addition, effective protection of patents, copyrights, trademarks, trade secrets and other intellectual property may be unavailable or limited in some foreign countries. As a result, we may not be able to effectively prevent competitors in these regions from infringing our intellectual property rights, which could reduce our competitive advantage and ability to compete in those regions and negatively impact our business.

Companies in the messaging industry have experienced substantial litigation regarding intellectual property. Currently, we have

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pending patent infringement lawsuits, both offensive and defensive, against several companies in this industry. This or any other litigation to enforce our intellectual property rights may be expensive and time-consuming, could divert management resources and may not be adequate to protect our business.

If our trademarks are not adequately protected or we are unable to protect our domain names, our reputation and brand could be adversely affected.

Our success depends, in part, on our ability to protect our trademarks. We rely on some brands that use the letter "e" before a word, such as "eFax" and "eVoice". Some regulators and competitors have taken the view that the "e" is descriptive. Others have claimed that these brands are generic when applied to the products and services we offer. If we are unable to secure and protect trademark rights to these or other brands, the value of these brands may be diminished, competitors may be able to more effectively mimic our service and methods of operations, the perception of our business and service to subscribers and potential subscribers may become confused in the marketplace and our ability to attract subscribers may be adversely affected.

We currently hold various domain names relating to our brands, both in the U.S. and internationally, including efax.com and various other international extensions, evoice.com, fax.com, onebox.com and others. The acquisition and maintenance of domain names generally are regulated by governmental agencies and their designees. The regulation of domain names in the U.S. may change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may be unable to acquire or maintain relevant domain names in the U.S. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights in the U.S. is unclear. Similarly, international rules governing the acquisition and maintenance of domain names in foreign jurisdictions are sometimes different from U.S. rules, and we may not be able to obtain all of our domains internationally. As a result of these factors, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights. In addition, failure to protect our domain names domestically or internationally could adversely affect our reputation and brands, and make it more difficult for users to find our Websites and our services.

Our growth will depend on our ability to develop our brands and market new brands, and these efforts may be costly.

We believe that continuing to strengthen our current brands and effectively launch new brands will be critical to achieving widespread acceptance of our services, and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Accordingly, we may need to spend increasing amounts of money on, and devote greater resources to, advertising, marketing and other efforts to create and maintain brand loyalty among users. In addition, we are supporting an increasing number of brands, each of which requires its own resources. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brands. If we fail to promote and maintain our brands, or if we incur substantial expense in an unsuccessful attempt to promote and maintain our brands, our business could be harmed.

We may be found to have infringed the intellectual property rights of others, which could expose us to substantial damages or restrict our operations.

We have been and expect to continue to be subject to claims and legal proceedings that we have infringed the intellectual property rights of others. The ready availability of damages, royalties and the potential for injunctive relief has increased the costs associated with the litigation and settlement of patent infringement claims. In addition, we may be required to indemnify our resellers and users for similar claims made against them. Any claims against us, whether or not meritorious, could require us to spend significant time and money in litigation, pay damages, develop new intellectual property or acquire licenses to intellectual property that is the subject of the infringement claims. These licenses, if required, may not be available at all or have acceptable terms. As a result, intellectual property claims

against us could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

The successful operation of our business depends upon the supply of critical elements and marketing relationships from other companies.

We depend upon third parties for several critical elements of our business, including various technology, infrastructure, customer service and marketing components. We rely on private third-party providers for our Internet and telephony connections and for co-location of a significant portion of our communications servers. Any disruption in the services provided by any of these suppliers, or any failure by them to handle current or higher volumes of activity, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

To obtain new customers, we have marketing agreements with operators of leading search engines and Websites. These

arrangements typically are not exclusive and do not extend over a significant period of time. Failure to continue these relationships on terms that are acceptable to us or to continue to create additional relationships could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Our business is highly dependent on our billing systems.

A significant part of our revenues depends on prompt and accurate billing processes. Customer billing is a highly complex process, and our billing systems must efficiently interface with third-party systems, such as those of credit card processing companies. Our ability to accurately and efficiently bill our subscribers is dependent on the successful operation of our billing systems and the third-party systems upon which we rely, such as our credit card processor, and our ability to provide these third parties the information required to process transactions. In addition, our ability to offer new paid services or alternative-billing plans is dependent on our ability to customize our billing systems. We are in the process of upgrading our current billing systems to meet the needs of our growing subscriber base. Any failure to properly implement the upgraded systems or to manage the new systems and procedural transitions could impair our ability to properly bill our current customers or attract and service new customers. In addition, any failures or errors in our current billing systems or procedures or resulting from any upgrades to our billing systems or procedures could materially and adversely affect our business and financial results.

Our failure to properly manage growth could harm our business.

We have expanded our operations rapidly and anticipate that we will continue to grow and diversify both in the U.S. and internationally, including increasing our customer base, the volume of messages and communications that pass through our network, the types of services we offer and our methods of sale. This expansion has placed, and we expect it will continue to place, a significant strain on our management, operational and financial resources. As a result, we must expand and adapt our operational infrastructure and increase the number of our personnel in certain areas. Our business relies on our data systems, billing systems for our fee-based and other services and other operational and financial reporting and control systems. All of these systems have become increasingly complex due to the growth of our business and to acquisitions of new businesses with different systems. To manage further growth we will need to continue to automate, improve or replace our data, billing and other existing operational, customer service and financial systems, procedures and controls. These upgrades and improvements will require a dedication of resources that, in some cases, are likely to be complex. Any failure to properly implement and manage these systems and procedural transitions could impair our ability to attract and service customers, and could cause us to incur higher operating costs and delays in the execution of our business plan. If we cannot manage growth effectively, our business and operating results could suffer.

Future acquisitions could result in dilution, operating difficulties and other harmful consequences.

We may acquire or invest in additional businesses, products, services and technologies that complement or augment our service offerings and customer base. We cannot assure you that we will successfully identify suitable acquisition candidates, integrate disparate technologies and corporate cultures and manage a geographically dispersed company. Acquisitions could divert attention from other business concerns and could expose us to unforeseen liabilities. In addition, we may lose key employees while integrating any new companies. We may pay for some acquisitions by issuing additional common stock, which would dilute current stockholders. We may also use cash to make acquisitions. We will be required to review goodwill and other intangible assets for impairment in connection with past and future acquisitions, which may materially increase operating expenses if an impairment issue is identified.

Our success depends on our retention of our executive officers, senior management and our ability to hire and retain additional key personnel.

Our success depends on the skills, experience and performance of executive officers, senior management and other key personnel. The loss of the services of one or more of our executive officers, senior management or other key

employees could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows. Our future success also depends on our continuing ability to attract, integrate and retain highly qualified technical, sales and managerial personnel. Competition for these people is intense, and there can be no assurance that we can retain our key employees or that we can attract, assimilate or retain other highly qualified technical, sales and managerial personnel in the future.

We may be subject to risks from international operations.

As we continue to expand our business operations in countries outside the U.S., our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, foreign currency exchange rates; political or social unrest or economic instability in a specific country or region; trade protection measures and other regulatory requirements which may affect our ability to provide our services; difficulties in staffing and managing international operations; and adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries and affiliates. Any or all of these factors could have a material adverse impact on our future business, prospects, financial condition, operating results and cash flows.

In addition, we have only limited experience in marketing and operating our services in certain international markets. Moreover, we have in some cases experienced and expect to continue to experience in some cases higher costs as a percentage of revenues in connection with establishing and providing services in international markets versus the U.S. In addition, certain international markets may be slower than the U.S. in adopting the Internet and/or outsourced messaging and communications solutions and so our operations in international markets may not develop at a rate that supports our level of investments.

As we continue to grow our international operations, adverse currency fluctuations and foreign exchange controls could have a material adverse effect on our balance sheet and results of operations.

As we expand our international operations, we could be exposed to significant risks of currency fluctuations. In some countries outside the U.S., we already offer our services in the applicable local currency, including but not limited to the Canadian Dollar, the Euro and the British Pound Sterling. As a result, fluctuations in foreign currency exchange rates affect the results of our operations, which in turn may adversely affect reported earnings and the comparability of period-to-period results of operations. As our international operations grow, these effects could become material. Changes in currency exchange rates may also affect the relative prices at which we and foreign competitors sell our services in the same market. In addition, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. Furthermore, we may become subject to exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars. We cannot assure you that future exchange rate movements will not have a material adverse effect on our future business, prospects, financial condition, operating results and cash flows. To date, we have not entered into foreign currency hedging transactions to control or minimize these risks.

Our business and users may be subject to sales tax and other taxes.

The application of indirect taxes (such as sales and use tax, value added tax (“VAT”), goods and services tax, business tax and gross receipt tax) to e-commerce businesses such as j2 Global and our users is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the Internet and e-commerce. In many cases, it is not clear how existing statutes apply to the Internet or e-commerce. In addition, some jurisdictions have implemented laws specifically addressing the Internet or some aspect of e-commerce and several other proposals have been made at the U.S. federal, state and local level that would impose additional taxes on the sale of goods and services through the Internet. These proposals, if adopted, could substantially impair the growth of e-commerce, hamper our ability to retain and attract new customers and diminish our ability to derive financial benefit from our activities. In November 2007, the U.S. federal government enacted legislation extending the moratorium on states and other local authorities imposing access or discriminatory taxes on the Internet through November 2014. This moratorium does not prohibit federal, state or local authorities from collecting taxes on our income or from collecting taxes that are due under existing tax rules. The application of existing, new or future laws could have adverse effects on our business, prospects and operating results. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

We may be engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management’s time and attention.

From time to time we are subject to litigation or claims, including in the areas of patent infringement and anti-trust, that could negatively affect our business operations and financial condition. Such disputes could cause us to incur unforeseen expenses, occupy a significant amount of our management’s time and attention and negatively affect our business operations and financial condition. We are unable to predict the outcome of our currently pending cases. Some or all of the amount we may be required to pay to defend or to satisfy a judgment or settlement of any or all of these proceedings may not be covered by insurance. Under indemnification agreements we have entered into with our current and former officers and directors, we are required to indemnify them, and advance expenses to them, in

connection with their participation in proceedings arising out of their service to us. These payments may be material. For a more detailed description of the lawsuits in which we are involved, see “Item 3. Legal Proceedings.”

The markets in which we operate are highly competitive and our competitors may have greater resources to commit to growth, superior technologies, cheaper pricing or more effective marketing strategies.

For information regarding our competition, and the risks arising out of the competitive environment in which we operate, see the section entitled “Competition” contained in Item 1 of this Annual Report on Form 10-K. In addition, some of our competitors include major companies with much greater resources and significantly larger subscriber bases than we have. Some of these competitors offer their services at lower prices than we do. These companies may be able to develop and expand their communications and network infrastructures more quickly, adapt more swiftly to new or emerging technologies and changes in customer requirements, take advantage of acquisition and other opportunities more readily and devote greater resources to the marketing and sale of their

products and services than we can. There can be no assurance that additional competitors will not enter markets that we are currently serving and plan to serve or that we will be able to compete effectively. Competitive pressures may reduce our revenue, operating profits or both.

We are exposed to risk if we cannot maintain or adhere to our internal controls and procedures.

We have established and continue to maintain, assess and update our internal controls and procedures regarding our business operations and financial reporting. Our internal controls and procedures are designed to provide reasonable assurances regarding our business operations and financial reporting. However, because of the inherent limitations in this process, internal controls and procedures may not prevent or detect all errors or misstatements. To the extent our internal controls are inadequate or not adhered to by our employees, our business, financial condition and operating results could be materially adversely affected.

If we are not able to maintain internal controls and procedures in a timely manner, or without adequate compliance, we may be unable to accurately report our financial results or prevent fraud and may be subject to sanctions or investigations by regulatory authorities such as the SEC or NASDAQ. Any such action or restatement of prior-period financial results could harm our business or investors' confidence in j2 Global, and could cause our stock price to fall.

Risks Related To Our Industry

Our services may become subject to burdensome telecommunications regulation, which could increase our costs or restrict our service offerings.

We provide our services through data transmissions over public telephone lines and other facilities provided by carriers. These transmissions are subject to foreign and domestic laws and regulation by the FCC, state public utility commissions and foreign governmental authorities. These regulations affect the availability of telephone numbers, the prices we pay for transmission services, the competition we face from other telecommunications service providers and other aspects of our market. However, we believe that our services are "information services" under the Telecommunications Act of 1996 and related precedent and therefore would not currently be subject to U.S. telecommunications services regulation. The FCC also views Internet-based services as being interstate and subject to the protection of federal laws preempting state efforts to impose traditional common carrier regulation on such services. However, as messaging and communications services converge and as the services we offer expand, there may be increased regulation of our business. Therefore, in the future, we may become subject to FCC or other regulatory agency regulation. Changes in the regulatory environment could decrease our revenues, increase our costs and restrict our service offerings. In many of our international locations, we are subject to regulation by the governmental authority.

In the U.S., Congress and the FCC regulations subsidize portions of the telecommunications system out of the USF. Congress and the FCC are reviewing the way it collects USF payments from telecommunications carriers. Among the proposed changes being considered is imposing a flat fee per telephone number. If adopted without an exemption for our service, this change in rules could have a material adverse effect on the provision of our non-paid services, and could cause us to raise the price of our paid service. Other changes to the USF subsidy the Congress and the FCC are considering may also impact our operations.

In August 2005, the FCC reclassified wireline broadband Internet access services (i.e., DSL) as information services, thereby removing the regulation requiring telephone companies to offer their lines to competing providers at low rates. Incumbent local exchange carriers ("ILECs") can now sell or lease their lines for what they decide is a fair value. The decision could possibly enable ILECs to charge higher rates for underlying broadband transmission service to competitive local exchange carriers that service some of our lines in various states. If one or more ILECs take this action, it could have an indirect impact on our profitability and operations.

The TCPA and FCC rules implementing the TCPA prohibit the use of telephone fax machines, computers or other devices to send unsolicited facsimile advertisements to telephone fax machines. The Junk Fax Act and FCC rules implementing the Junk Fax Act amended the TCPA requirements to allow fax advertisements to be sent to recipients with whom the sender has an established business relationship, as long as the fax number was provided voluntarily by the recipient. The FCC is authorized to take enforcement action against companies that send so-called “junk faxes” and has held numerous fax broadcasters liable for violating the TCPA. In addition, individuals may, under certain circumstances, have a private cause of action for violations under the TCPA and recover monetary damages for such violations. Although entities that merely transmit facsimile messages on behalf of others are not liable for compliance with the prohibition on faxing unsolicited advertisements, the exemption from liability does not apply to fax transmitters that have a high degree of involvement or actual notice of an illegal use and have failed to take steps to prevent such transmissions. We take significant steps to ensure that our services are not used to transmit unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement or notice of the use of our service to broadcast junk faxes. However, because fax transmitters do not enjoy an absolute exemption from liability under the TCPA and related FCC rules, we could face FCC inquiry and enforcement or civil litigation, or private causes of action, if someone uses our service for such impermissible purposes. If this were to

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occur and we were to be held liable for someone's use of our service for transmitting unsolicited faxes, the financial penalties could cause a material adverse effect on our operations. We are currently involved in litigation involving alleged violations of the TCPA with Protus IP Solutions, Inc. For more information about this lawsuit, see Item 3 of this Annual Report on Form 10-K entitled "Legal Proceedings."

Also in the U.S., the Communications Assistance to Law Enforcement Act ("CALEA") requires telecommunications carriers to be capable of performing wiretaps and recording other call identifying information. In September 2005, the FCC released an order defining telecommunications carriers that are subject to CALEA obligations as facilities-based broadband Internet access providers and Voice-over-Internet-Protocol ("VoIP") providers that interconnect with the public switched telephone network. As a result of this definition, we do not believe that j2 Global is subject to CALEA. However, if the category of service providers to which CALEA applies broadens to also include information services, that change may impact our operations. For more information regarding telecommunications regulation that may affect our business, please see Item 1 of this Annual Report on Form 10-K entitled "Business – Government Regulation."

The value-added messaging and communications services industry is undergoing rapid technological changes and we may not be able to keep up.

The value-added messaging and communications services industry is subject to rapid and significant technological change. We cannot predict the effect of technological changes on our business. Additionally, widely accepted standards have not yet developed for the technologies we use. We expect that new services and technologies will emerge in the markets in which we compete. These new services and technologies may be superior to the services and technologies that we use or these new services may render our services and technologies obsolete. Our future success will depend, in part, on our ability to anticipate and adapt to technological changes and evolving industry standards. We may be unable to obtain access to new technologies on acceptable terms or at all, and may therefore be unable to offer services in a competitive manner. If the global communications industry fails to set standards to allow for the compatibility of various products and technologies on a timely basis or at all, any new services and technologies may not be compatible with our existing technologies or operate in a manner sufficient for us to execute our business plan, which could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

We rely heavily on the revenue generated by our fax services.

Currently, a substantial portion of the overall traffic on our network is fax related. Our future success is therefore dependent upon the continued use of fax as a messaging medium and/or our ability to diversify our service offerings and derive more revenue from other services, such as voice, email and unified messaging solutions. If the demand for fax as a messaging medium decreases, and we are unable to replace lost revenues from decreased usage of our fax services with a proportional increase in our customer base or with revenues from our other services, our business, financial condition, operating results and cash flows could be materially and adversely affected.

We believe that one of the attractions to fax versus alternatives, such as email, is that fax signatures are a generally accepted method of executing contracts. There are on-going efforts by governmental and non-governmental entities, many of which possess greater resources than we do, to create a universally accepted method for electronically signing documents. Widespread adoption of so-called "digital signatures" could reduce demand for our fax services and, as a result, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

We are subject to regulations relating to consumer privacy.

Consumer privacy has become a significant concern of regulators in the U.S. and internationally. At least nine U.S. states have enacted legislation that limits the uses and storage of personal information gathered online or offline.

Many non-U.S. jurisdictions also have such laws and continuously consider strengthening them, especially against online services. In addition, more than 30 states have passed laws that require businesses to notify customers of the occurrence of a data breach that may result in unauthorized acquisition of personal data. In certain instances we are subject to some of these laws.

Statutes intended to protect user privacy have passed in many non-U.S. jurisdictions. For example, the E.U. Data Protection Directive protects personal data (defined as data that can reasonably be used to identify a living person) by instructing E.U. Member States to enact laws requiring that personal information be collected with consent for a reasonable purpose, used and disclosed for the limited purpose for which it was collected, accurate, accessible for inspection and correction, and stored securely. The E.U. Data Protection Directive also requires that a data collector either establish a data officer in each member state where it offers service or submit a formal notification of its collection activities to the local data privacy agency. Finally, the E.U. Privacy Directive prohibits the transfer of personal data from an E.U. country to a non-E.U. country that lacks "adequate" data protection laws. Because the E.U. has determined that the U.S. lacks adequate data protection laws, entities transferring personal data must follow certain alternative procedures or risk the interruption of data flows. For example, the U.S. Department of Commerce has, in agreement with the E.U.,

created a Safe Harbor Registry where businesses can voluntarily pledge to abide by prescribed data protection standards in order to permit transboundary data flow. The E.U. Directive also permits transboundary data flow upon the express consent of the data subject. However, an informal opinion from the E.U. Working Party that studies data privacy issues recommends that the consent method should be used only when other transfer options are not available. Canada’s Personal Information Protection and Electronic Documents Act (“PIPEDA”) law similarly regulates the collection of personal data.

Failure to comply with these and other international data privacy laws could subject us to lawsuits, fines, criminal penalties, statutory damages, adverse publicity and other losses that could harm our business. Changes to existing laws or the passage of new laws intended to address these privacy and data protection and retention issues could directly affect the way we do business or could create uncertainty on the Internet. This could reduce demand for our services, increase the cost of doing business as a result of litigation costs or increase service or delivery costs, or otherwise harm our business.

New and existing regulations could harm our business.

We are subject to the same foreign and domestic laws as other companies conducting business on and off the Internet. There are relatively few laws specifically directed towards online services. However, due to the increasing popularity and use of the Internet and online services, many laws relating to the Internet are being debated at all levels of government around the world and it is possible that such laws and regulations will be adopted. These laws and regulations could cover issues such as user privacy, freedom of expression, pricing, fraud, content and quality of products and services, taxation, advertising, intellectual property rights and information security. It is not clear how existing laws governing issues such as property ownership, copyrights and other intellectual property issues, taxation, libel and defamation, obscenity and personal privacy apply to online businesses. The vast majority of these laws was adopted prior to the advent of the Internet and related technologies and, as a result, does not contemplate or address the unique issues of the Internet and related technologies. Those laws that do reference the Internet, such as the U.S. Digital Millennium Copyright Act and the E.U.’s Directive on Distance Selling and Electronic Commerce, have begun to be interpreted by the courts and implemented, but their applicability and scope remain somewhat uncertain. Enactment of new laws and regulations, or the interpretation of existing laws and regulations in a way that is adverse to us, could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the “CAN-SPAM Act”) requires commercial emails to be identified as an advertisement or solicitation, include a valid postal address and provide a mechanism that will enable recipients to opt out of receiving future emails. We believe that our email practices comply with the requirements of the CAN-SPAM Act. However, the statutory penalties for violating the CAN-SPAM Act can run into millions of dollars. If we were ever found to be in violation of the CAN-SPAM Act, such an adverse judgment could have a material adverse affect on our business, financial condition, operating results and cash flows.

In the E.U., the European Parliament and Council amended the Communications Directive with the Directive on the Retention of Data Processed in Connection with the Provision of Public Electronic Communications Services (“Data Retention Directive”). In the interests of public safety and terrorism prevention, the Data Retention Directive requires telecommunications carriers and information service providers to store traffic (e.g., time of communication, numbers, identity of users) and location data from electronic communications for six months to two years, at the discretion of the Member States. Member States are in the process of adopting this Directive into national laws and many have requested extensions to the deadline by which the Data Retention Directive is required to be implemented. Implementation of the Data Retention Directive may impact some of our operations.

In addition, because our services are accessible worldwide, foreign jurisdictions may claim that we are required to comply with their laws. For example, the Australian high court has ruled that a U.S. Website in certain circumstances must comply with Australian laws regarding libel. As we expand and localize our international activities, we may

become obligated to comply with laws of additional jurisdictions. Non-U.S. laws regulating Internet companies may be less favorable than U.S. laws, giving greater rights to consumers, content owners and users. Compliance may be more costly or may require us to change our business practices or restrict our service offerings relative to those in the U.S. Our failure to comply with foreign laws could subject us to penalties ranging from criminal prosecution to bans on our services.

Risks Related To Our Stock

Future sales of our common stock may negatively affect our stock price.

As of February 13, 2008, substantially all of our outstanding shares of common stock were available for resale, subject to volume and manner of sale limitations applicable to affiliates under SEC Rule 144. Sales of a substantial number of shares of common stock in the public market or the perception of such sales could cause the market price of our common stock to decline. These sales also might make it more difficult for us to sell equity securities in the future at a price that we think is appropriate, or at all.

Anti-takeover provisions could negatively impact our stockholders.

Provisions of Delaware law and of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us. For example, we are subject to Section 203 of the Delaware General Corporation Law, which would make it more difficult for another party to acquire us without the approval of our board of directors. Additionally, our certificate of incorporation authorizes our board of directors to issue preferred stock without requiring any stockholder approval, and preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions could make it more difficult for a third party to acquire us even if an acquisition might be in the best interest of our stockholders.

Our stock price may be volatile or may decline.

Our stock price and trading volumes have been volatile and we expect that this volatility will continue in the future due to factors, such as:

- Assessments of the size of our subscriber base and our average revenue per subscriber, and comparisons of our results in these and other areas versus prior performance and that of our competitors;
- Variations between our actual results and investor expectations;
- Regulatory or competitive developments affecting our markets;
- Investor perceptions of us and comparable public companies;
- A large percentage of our stock being sold short;
- Conditions and trends in the communications, messaging and Internet-related industries;
- Announcements of technological innovations and acquisitions;
- Introduction of new services by us or our competitors;
- Developments with respect to intellectual property rights;
- Conditions and trends in the Internet and other technology industries;
- Rumors, gossip or speculation published on public chat or bulletin boards;
- General market conditions; and
- Geopolitical events such as war, threat of war or terrorist actions.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stocks of technology companies, particularly communications and Internet companies. These broad market fluctuations have previously resulted in a material decline in the market price of our common stock. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. We may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and resources, which could have a material adverse effect on our business, prospects, financial condition, operating results and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2007, we leased approximately 40,000 square feet of office space for our headquarters in Los Angeles, California under a lease that expires in January 2010. We lease this space from an entity indirectly controlled by our Chairman of the Board. Additionally, we have smaller leased office facilities in British Columbia; California; Hong Kong; Illinois; Ireland; the Netherlands and the United Kingdom.

All of our network equipment is housed either at our leased properties and facilities or at one of our multiple co-location facilities around the world.

Item 3. Legal Proceedings

Overview of Patent Litigation

As part of our continuing effort to prevent the unauthorized use of our intellectual property, we have initiated litigation against the following two companies, among others, for infringing our patents relating to Internet fax and other messaging technologies: Venali, Inc. (“Venali”) and Protus IP Solutions, Inc. (“Protus”). Venali and Protus have each filed counterclaims against us, which are described in more detail below.

Overview of Legal Proceedings Against Us

From time to time, we are involved in litigation and other disputes or regulatory inquiries that arise in the ordinary course of our business. Many of these actions are filed in response to patent actions filed by us against the plaintiffs. The number and significance of these disputes and inquiries are increasing as our business expands and j2 Global grows larger. Any claims or regulatory actions against us, whether meritorious or not, could be time-consuming, result in costly litigation, require significant amounts of management time, and result in the diversion of significant operational resources.

In February 2004 and July 2005, we filed two lawsuits against Venali in the United States District Court for the Central District of California for infringement of several of our U.S. patents. On June 21, 2006, Venali filed suit against us and our affiliate in the United States District Court for the Southern District of Florida, alleging violations of antitrust law and various related claims arising out of our procurement and enforcement of our patents. In lieu of any response to Venali’s complaint, the parties reached an agreement whereby Venali dismissed its complaint without prejudice and re-filed certain of its claims as counterclaims in the patent infringement actions in California. On December 27, 2006, Venali filed amended counterclaims in the July 2005 action alleging several violations of antitrust law (fraudulent procurement of patents, fraudulent enforcement of patents, tying and attempted monopolization) as well as tortious interference with business relationships, trademark infringement and unfair and deceptive trade practices. Venali is seeking damages, including treble damages for the antitrust claims, injunctive relief, attorneys’ fees and costs. Venali’s claims relate in substantial part to the patent infringement claims by us against Venali. On April 13, 2007, the court granted in part our motion to dismiss Venali’s counterclaims, dismissing the tying claim with leave to amend. Venali has also voluntarily dismissed all of its counterclaims except those alleging antitrust violations based on our procurement and enforcement of our patents. On May 11, 2007, the court entered a claim construction order regarding the disputed terms of the patents-in-suit. Since that time, the parties have been engaged in extensive discovery. On December 7, 2007, Venali filed a motion for partial summary judgment of non-infringement. Our opposition to that motion is not yet due. Trial is currently scheduled for October 2008.

In January 2006, we filed a complaint in the United States District Court for the Central District of California against Protus asserting causes of action for violation of the Federal Telephone Consumer Protection Act, trespass to chattels,

and unfair business practices as a result of Protus sending “junk faxes” to us and our customers. We are seeking statutory and treble damages, attorneys fees, interest and costs, as well as a permanent injunction against Protus continuing its junk fax sending practices. In September 2007, Protus filed a counterclaim against us asserting the same causes of action as those asserted against it, as well as claims for false advertising, trade libel, tortious interference with prospective economic advantage and defamation. Protus is seeking statutory and treble damages, attorneys fees, interest and costs, as well as a permanent injunction against us sending any more junk faxes. Trial is currently set for October 2008.

On December 12, 2006, Venali filed suit against us in the United States District Court for the Southern District of Florida, alleging infringement of U.S. Patent Number 7,114,004 (the “ ’004 Patent”). Venali is seeking damages in the amount of lost profits or a reasonable royalty, a permanent injunction against continued infringement, treble damages, attorneys’ fees, interest and costs. On March 6, 2007, we filed an answer to the complaint denying liability. On May 17, 2007, we filed a request with the U.S. Patent & Trademark Office for reexamination of the ’004 Patent, which request was granted on July 27, 2007. On August 13, 2007, we moved

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to stay the action pending the reexamination. On August 20, 2007, the court granted the motion and stayed the action pending reexamination of the patent.

On May 9, 2007, Bear Creek Technologies, Inc. ("Bear Creek") filed suit against us in the United States District Court for the Eastern District of Texas, alleging infringement of U.S. Patent Number 6,685,494. Bear Creek is seeking damages in at least the amount of a reasonable royalty, a permanent injunction against continued infringement, treble damages, attorneys' fees, interest and costs. On June 29, 2007, we filed an answer to the complaint denying liability, asserting affirmative defenses, and asserting counterclaims of non-infringement and invalidity. On September 21, 2007, Bear Creek filed its reply to our counterclaims, denying each one. On February 11, 2008 we filed a request for reexamination of the '494 patent. The claim construction hearing is set for April 28, 2008, and jury selection for trial in the matter is set for April 7, 2009.

On June 21, 2007, Integrated Global Concepts, Inc. ("IGC") filed a lawsuit against us, certain of our current and former officers and/or directors, one of our affiliates, and several other parties in the United States District Court for the Northern District of Illinois. The suit purports to allege violations of antitrust law, the Racketeer Influenced and Corrupt Organizations Act and various related statutory and common law claims arising out of our procurement and enforcement of our patents and our acquisition of certain companies. IGC's claims relate in substantial part to a patent infringement action by our affiliate against IGC. The suit seeks damages, including treble and punitive damages, an injunction against further violations, divestiture of certain assets, attorneys' fees and costs. On October 31, 2007, the Court stayed this action pending resolution of the related case in the Northern District of Georgia described below. On January 20, 2008, the Court dismissed this case with leave to reinstate it on or before December 31, 2008.

On October 11, 2007, IGC filed substantially the same claims it previously filed in the Northern District of Illinois as counterclaims in a pending patent infringement case in the United States District Court for the Northern District of Georgia brought against IGC by our affiliate. Like the prior lawsuit, IGC's counterclaims name us, certain of our current and former officers and/or directors, one of our affiliates, and several other parties, and purport to allege violations of antitrust law, the Racketeer Influenced and Corrupt Organizations Act and various related statutory and common law claims arising out of our procurement and enforcement of our patents and our acquisition of certain companies. The counterclaims seek damages, including treble and punitive damages, an injunction against further violations, divestiture of certain assets, attorneys' fees and costs. On December 7, 2007, we filed motions to dismiss IGC's counterclaims that are pending before the court.

On June 29, 2007, a purported class action was filed by Justin Lynch as the named plaintiff in the United States District Court for the Central District of California alleging that we have attempted to monopolize and/or monopolized the market for Internet facsimile services to home and small offices in violation of Section 2 of the Sherman Act. The claims relate in substantial part to the patent infringement actions by us against various companies. The suit seeks treble damages, injunctive relief, attorneys' fees and costs. On August 24, 2007, we filed an answer to the complaint denying liability. On January 28, 2008, the court entered an order staying this case until June 2, 2008.

We do not believe, based on current knowledge, that the foregoing legal proceedings are likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, we may incur substantial expenses in defending against these claims. In the event of a determination adverse to j2 Global, it may incur substantial monetary liability, which could have a material adverse effect on its consolidated financial position, results of operations or cash flows. In accordance with SFAS 5, Accounting for Contingencies, we have not accrued for a loss contingency relating to these legal proceedings because we believe that, although unfavorable outcomes in the proceedings may be reasonably possible, they are not considered by management to be probable or reasonably estimable.

Item 4. Submission of Matters to a Vote of Security Holders

We held a Special Meeting of Shareholders on October 24, 2007 in Los Angeles, California. A proposal to approve j2 Global's 2007 Stock Plan was submitted to our shareholders for a vote at the Special Meeting. This proposal was approved with the following vote:

	Number of Votes
For	30,604,914
Against	9,008,803
Abstain	240,292

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol "JCOM". The following table sets forth the high and low closing sale prices for our common stock for the periods indicated, as reported by the NASDAQ Global Select Market. All share numbers and per share amounts have been retroactively restated to reflect our May 2006 two-for-one stock split effected in the form of a stock dividend.

	High	Low
Year ended December 31, 2007		
First Quarter	$ 28.75	$ 23.01
Second Quarter	35.37	27.92
Third Quarter	37.23	32.45
Fourth Quarter	35.07	21.17
Year ended December 31, 2006		
First Quarter	24.61	20.29
Second Quarter	31.29	22.06
Third Quarter	31.81	22.68
Fourth Quarter	29.39	26.41

Holders

We had 309 registered stockholders as of February 13, 2008. That number excludes the beneficial owners of shares held in "street" names or held through participants in depositories.

Dividends

We have never paid cash dividends on our stock and currently anticipate that we will continue to retain any future earnings to finance the growth of our business.

Recent Sales of Unregistered Securities

We did not issue any unregistered securities during the fourth quarter of 2007.

Issuer Purchases of Equity Securities

In March 2006, our Board of Directors authorized a program to repurchase shares of our common stock. The Board approved the repurchase of up to 2,000,000 shares from time to time through December 31, 2008, depending on market conditions and other factors. During 2007, we repurchased all 1,529,100 of the remaining shares of common stock authorized under this repurchase program at an aggregate cost of approximately $42.4 million (including commission fees of approximately $46,000).

The following table details the repurchases that were made under the program during the fourth quarter of 2007:

Period	Total Number of Shares	Maximum Number of Shares That

	Total Number of Shares Purchased	Average Price Per Share (1)	Purchased as Part of Publicly Announced Program	May Yet Be Purchased Under the Program
October 1, 2007—October 31, 2007	232,100	$ 33.16	232,100	754,722
November 1, 2007—November 30, 2007	754,722	26.09	754,722	—
Total	986,822	$ 27.75	986,822	

(1) Average price per share excludes commissions.

In February 2008, j2 Global's Board of Directors approved a common stock repurchase program authorizing the repurchase of up to five million shares of our common stock through the end of December 2010 (see Note 18 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K).

Equity Compensation Plan Information

The following table provides information as of December 31, 2007 regarding shares outstanding and available for issuance under j2 Global's existing equity compensation plans:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	4,383,174	$ 9.67	7,105,891
Equity compensation plans not approved by security holders	—	—	—
Total	4,383,174	$ 9.67	7,105,891

The number of securities remaining available for future issuance includes 5,428,924 and 1,676,967 under our 2007 Stock Plan and 2001 Employee Stock Purchase Plan, respectively. Please refer to Note 10 to the accompanying consolidated financial statements for a description of these Plans as well as our Second Amended and Restated 1997 Stock Option Plan, which terminated in 2007.

Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of j2 Global under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the cumulative total stockholder return for j2 Global, the NASDAQ Telecommunications Index and an index of companies that j2 Global has selected as its peer group. The peer group index included in the performance graph consists of: deltathree, Inc., Easylink Services International Corporation (formerly Easylink Services Corporation), C2 Global Technologies, Inc. (formerly I-Link Corporation), iBasis, Inc., Premiere Global Services, Inc. (formerly PTEK Holdings, Inc.) and Tumbleweed Communications Corp. We believe that the peer group index provides a representative group of companies in the outsourced messaging and communications industry. Measurement points are December 31, 2002 and the last trading day in each of j2 Global's fiscal quarters through the end of fiscal 2007. The graph assumes that $100 was invested on December 31, 2002 in j2 Global's common stock at the split-adjusted price of $1.24 per share and in each of the indices, and assumes reinvestment of any dividends. No dividends have been declared or paid on j2 Global's common stock. The stock price performance on the following graph is not necessarily indicative of future stock price performance.

[PERFORMANCE GRAPH IS SET FORTH ON THE FOLLOWING PAGE]

Item 6. Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our consolidated financial statements, the related Notes contained in this Annual Report on Form 10-K and the information contained herein in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations". Historical results are not necessarily indicative of future results. All share numbers and per share amounts have been retroactively restated to reflect our May 2006 and May 2003 two-for-one stock splits effected in the form of a stock dividend.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands except share and per share amounts)				
Statement of Operations Data:					
Revenues	$ 220,697	$ 181,079	$ 143,941	$ 106,343	$ 71,622
Cost of revenues	43,987	36,723	29,844	21,018	17,799
Gross profit	176,710	144,356	114,097	85,325	53,823
Operating expenses:					
Sales and marketing	38,768	30,792	23,025	18,591	11,242
Research, development and engineering	11,833	8,773	7,134	5,333	4,271
General and administrative	39,683	38,754	23,464	16,049	11,642
Total operating expenses	90,284	78,319	53,623	39,973	27,155
Operating earnings	86,426	66,037	60,474	45,352	26,668
Other income and expenses:					
Gain on sale of investment	—	—	9,808	—	—
Interest and other income	9,272	7,269	3,416	1,244	486
Interest and other expense	(237)	(74)	(76)	(61)	(67)
Total other income and expenses	9,035	7,195	13,148	1,183	419
Earnings before income taxes	95,461	73,232	73,622	46,535	27,087
Income tax expense (benefit)	27,000	20,101	23,004	15,919	(8,771)
Net earnings	$ 68,461	$ 53,131	$ 50,618	$ 30,616	$ 35,858
Net earnings per common share:					
Basic	$ 1.40	$ 1.08	$ 1.05	$ 0.66	$ 0.79
Diluted	$ 1.35	$ 1.04	$ 0.99	$ 0.61	$ 0.73
Weighted average shares outstanding:					
Basic	48,953,483	49,209,129	48,224,818	46,625,488	45,463,788
Diluted	50,762,007	51,048,995	51,171,794	49,828,208	49,150,674

	December 31,				
	2007	2006	2005	2004	2003
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 154,220	$ 95,605	$ 36,301	$ 18,814	$ 32,882
Working capital	193,794	165,207	107,938	66,942	63,401
Total assets	350,409	288,160	221,944	152,596	112,824
Long-term debt	—	—	149	866	221
Total stockholders' equity	282,614	254,741	202,255	139,013	102,659

Cash Dividends

No cash dividends were paid for the years presented.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In addition to historical information, the following discussion and analysis of management contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those discussed below, the results of any acquisition we may complete and the factors discussed in Item 1A in this Annual Report on Form 10-K entitled "Risk Factors". Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. j2 Global undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document as well as in other documents we file from time to time with the SEC, including the Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K filed or to be filed by us in 2008.

Overview

j2 Global Communications, Inc. (“j2 Global”, “our”, “us” or “we”) is a Delaware corporation founded in 1995. By leveraging the power of the Internet, we provide outsourced, value-added messaging and communications services to individuals and businesses throughout the world. We offer fax, voicemail, email and call handling services and bundled suites of certain of these services. We market our services principally under the brand names eFax®, eFax Corporate®, eFaxDeveloperTM, Fax.comTM, Send2Fax®, eFax BroadcastTM, jBlast®, jConnect®, Onebox®, Onebox ReceptionistTM, RapidFAXTM, eVoice®, eVoice ReceptionistTM, YAC® and Electric Mail®.

We deliver many of our services through our global telephony/Internet Protocol (“IP”) network, which spans more than 3,000 cities in 42 countries across five continents. We have created this network, and continuously seek to expand it, through negotiating with U.S. and foreign telecommunications and co-location providers for telephone numbers (also referred to as Direct Inward Dial numbers or “DIDs”), Internet bandwidth and co-location space for our equipment. We maintain and seek to grow an inventory of telephone numbers to be assigned to new customers. Most of these numbers are “local” (as opposed to toll-free), which enables us to provide our paying subscribers telephone numbers with a geographic identity. In addition to growing our business internally, we have used small acquisitions to grow our customer base, enhance our technology and acquire skilled personnel.

Our core services include fax, voicemail, email and call handling, as well as bundled suites of certain of these services. These are business services that make our customers more efficient, more mobile, more cost-effective and more secure than traditional alternatives. We generate substantially all of our revenue from subscribers that pay activation, subscription and usage fees. Activation and subscription fees are referred to as “fixed” revenues, while usage fees are referred to as “variable” revenues. We also generate revenues from patent licensing fees, advertising and revenue share from our customers’ use of premium rate telephone numbers. Of the nearly 12.0 million telephone numbers deployed as of December 31, 2007, more than one million were serving paying subscribers, with the balance deployed to free subscribers, including those with premium rate telephone numbers. We operate in one reportable segment: value-added messaging and communications services, which provides for the delivery of fax, voice and email messages and communications via the telephone and/or Internet networks.

During the past three years, we have derived a substantial portion of our revenues from our DID-based services, including eFax, Onebox, Onebox Receptionist, eVoice and eVoice Receptionist. As a result, we believe that paying DIDs and the revenues associated therewith are an important metric for understanding our business. It has been and continues to be our objective to increase the number of paying DIDs through a variety of distribution channels and marketing arrangements and by enhancing our brand awareness. In addition, we seek to increase revenues through a combination of stimulating use by our customers of usage-based services, introducing new services and instituting appropriate price increases to our fixed monthly subscription and other fees.

For the past three years, 90% or more of our total revenues have been produced by our DID-based services. DID-based revenues have increased to $202 million from $134 million for the three-year period ending December 31, 2005 to December 31, 2007. The primary reason for this increase was a 92% increase in the number of paid DIDs over this period. We expect that DID-based revenues will continue to be a dominant driver of total revenues.

The following table sets forth our key operating metrics for the years ended December 31, 2007, 2006 and 2005 (in thousands except for percentages and average revenue per paying telephone number):

	December 31,		
	2007	2006	2005
Free service telephone numbers	10,852	10,323	10,424
Paying telephone numbers	1,064	907	740
Total active telephone numbers	11,916	11,230	11,164

	Year Ended December 31,		
	2007	2006	2005
Subscriber revenues:			
Fixed	$ 162,128	$ 126,586	$ 98,721
Variable	50,201	48,585	40,985
Total subscriber revenues	$ 212,329	$ 175,171	$ 139,706
Percentage of total subscriber revenues:			
Fixed	76.4%	72.3%	70.7%
Variable	23.6%	27.7%	29.3%
Revenues:			
DID-based	$ 201,776	$ 167,882	$ 134,018
Non-DID-based	18,921	13,197	9,923
Total revenues	$ 220,697	$ 181,079	$ 143,941
Average monthly revenue per paying telephone number (1)	$ 16.46	$ 16.45	$ 16.75

(1) See calculation of average revenue per paying telephone number at the end of this section, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Critical Accounting Policies and Estimates

In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue. Our revenue consists substantially of monthly recurring and usage-based subscription fees. In accordance with GAAP and SEC issued Staff Accounting Bulletin No. 104, Revenue Recognition, which clarifies certain existing accounting principles for the timing of revenue recognition and classification of revenues in the financial statements, we defer the portions of monthly recurring and usage-based fees collected in advance and recognize them in the period earned. Additionally, we defer and recognize subscriber activation fees and related direct incremental costs over a subscriber's estimated useful life.

Investments. We account for investments in equity securities in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115") and Emerging Issues Task Force Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments ("EITF 03-1"). SFAS 115 requires that certain debt and equity securities be classified into one of three categories; held-to-maturity, available-for-sale or trading securities. We determine the appropriate classification of our investments at the time of acquisition and reevaluate such determination at each balance sheet date. Held-to-maturity securities are those investments in which we have the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost. Available-for-sale securities are recorded at fair value, with unrealized holdings gains or losses recorded as a separate component of accumulated other comprehensive income (loss) in shareholders' equity until realized. Trading securities are carried at fair value, with unrealized holding gains and losses included in investment income. None of our investments are held for trading purposes. All securities are accounted for on a specific identification basis. In accordance with EITF 03-1, we assess whether an other-than-temporary impairment loss on an investment has occurred due to declines in fair value or other market conditions.

Stock-Based Compensation Expense. Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"). Accordingly, we measure stock-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee's requisite service period using the straight-line method. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and award cancellation rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining stock-based compensation expense and the actual factors, which become known over time, we may change the input factors used in determining future stock-based compensation expense. Any such changes could materially impact our results of operations in the period in which the changes are made and in periods thereafter.

In November 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards ("FSP 123R-3"). We elected to adopt the alternative transition method for calculating the tax effects of share-based compensation pursuant to FSP 123R-3. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool related to the effects of employee stock-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R).

In March 2005, the SEC issued Staff Accounting Bulletin No. 107, Topic 14: Share-Based Payment (“SAB 107”). SAB 107 provides interpretive guidance regarding the application of SFAS 123(R). The SEC staff believes that SAB 107 will assist registrants in their initial implementation of SFAS 123(R) and enhance the information received by investors and other users of financial

statements. The SEC staff recognizes that there is a range of conduct that a reasonable issuer might use to make estimates and valuations and otherwise implement SFAS 123(R). Thus, throughout SAB 107 the use of the terms "reasonable" and "reasonably" is not meant to imply a single conclusion or methodology, but to encompass the full range of potential conduct, conclusions or methodologies upon which a registrant may reasonably base its valuation decisions. In accordance with SAB 107, we have considered the guidance regarding the application of SFAS 123(R) and believe that we have adopted a reasonable methodology for measuring stock-based compensation expense as described above.

In December 2007, the SEC issued Staff Accounting Bulletin No. 110, Certain Assumptions Used in Valuation Methods – Expected Term ("SAB 110"). According to SAB 110, under certain circumstances the SEC staff will continue to accept beyond December 31, 2007 the use of the simplified method in developing an estimate of expected term of share options that possess certain characteristics in accordance with SFAS 123(R) beyond December 31, 2007. We will adopt SAB 110 effective January 1, 2008 and continue to use the simplified method in developing the expected term used for our valuation of stock-based compensation.

Long-lived and Intangible Assets. We account for long-lived assets in accordance with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets.

In accordance with SFAS 144, we assess the impairment of identifiable intangibles and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could individually or in combination trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;
- significant decline in our stock price for a sustained period; and
- our market capitalization relative to net book value.

If we determined that the carrying value of intangibles and long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we would record an impairment equal to the excess of the carrying amount of the asset over its estimated fair value.

Consistent with SFAS 144, we have assessed whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets may not be recoverable. We concluded that there were no such events or changes in circumstances which would trigger an impairment review during 2007, 2006 or 2005.

Goodwill and Purchased Intangible Assets. We evaluate our goodwill and intangible assets for impairment pursuant to SFAS No. 142, Goodwill and Other Intangible Assets, which provides that goodwill and other intangible assets with indefinite lives are not amortized but tested for impairment annually or more frequently if circumstances indicate potential impairment. The impairment test is comprised of two steps: (1) a reporting unit's fair value is compared to its carrying value; if the fair value is less than its carrying value, impairment is indicated; and (2) if impairment is indicated in the first step, it is measured by comparing the implied fair value of goodwill and intangible assets to their carrying value at the reporting unit level. We completed the required impairment review at the end of 2007, 2006 and 2005 and noted no impairment. Consequently, no impairment charges were recorded.

Income Taxes. We account for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes ("SFAS 109"), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the net deferred tax assets will not be realized. Our valuation allowance is reviewed quarterly based upon the facts and circumstances known at the time. In assessing this valuation allowance, we review historical and future expected operating results and other factors to determine whether it is more likely than not that deferred tax assets are realizable. We had approximately $7.8 million and $8.0 million in net deferred tax assets at December 31, 2007 and 2006, respectively. Based on our review, we concluded that these net deferred tax assets do not require valuation allowances as of December 31, 2007 and 2006. The net deferred tax assets should be realized through future operating results and the reversal of temporary differences.

Income Tax Contingencies. We calculate current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the following year. Adjustments based on filed returns are recorded when identified in the subsequent year.

As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. Our estimate of the potential outcome of any uncertain tax issue is subject to management’s assessment of relevant risks, facts and circumstances existing at that time. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially to reverse previously recorded tax liabilities. In addition, we are subject to periodic audits by U.S. and foreign taxing authorities. We are currently under audit by the Internal Revenue Service for the 2005 tax year. While it is possible that the 2005 tax audit may conclude in the next 12 months and that the unrecognized tax benefits we have recorded in relation to this audit may change compared to the liabilities recorded for the period, it is not possible to estimate the effect, if any, of any amount of such change during the next 12 months to previously recorded uncertain tax positions. We adequately establish reserves for these tax contingencies when we believe that certain tax positions might be challenged despite our belief that our tax positions are fully supportable. We adjust these reserves when changing events and circumstances arise.

Effective January 1, 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes— an Interpretation of FASB Statement No. 109 (“FIN 48”). FIN 48 provides guidance on the minimum threshold that an uncertain tax benefit is required to meet before it can be recognized in the financial statements and applies to all tax positions taken by a company. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, “Accounting for Income Taxes.” The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. We recognized accrued interest and penalties related to unrecognized tax benefits in income tax expense on our consolidated statement of operations. At the adoption date of January 1, 2007, we had $25.0 million in liabilities for uncertain tax position, including $6.1 million recognized under FAS 5 and carried forward from prior years and an additional charge of $18.9 million to retained earnings (see Note 8 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K).

Non-Income Tax Contingencies. In accordance with the provisions of SFAS No. 5, Accounting for Contingencies, we make judgments regarding the future outcome of contingent events and record loss contingency amounts that are probable and reasonably estimated based upon available information. The amounts recorded may differ from the actual income or expense that occurs when the uncertainty is resolved. The estimates that we make in accounting for contingencies and the gains and losses that we record upon the ultimate resolution of these uncertainties could have a significant effect on the liabilities and expenses in our financial statements. As of December 31, 2007, we had $4.0 million of non-income tax related contingent liabilities.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (“SFAS 157”), which defines fair value, provides a framework for measuring fair value and expands the disclosures required for fair value measurements. SFAS 157 applies to all accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. For fiscal years beginning after November 15, 2007, companies will be required to implement SFAS 157 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in financial statements. The FASB did, however, provide a one-year deferral for the implementation of Statement 157 for other nonfinancial assets and liabilities. An exposure draft will be issued for

comment in the near future on this partial deferral. Accordingly, we will adopt SFAS 157 for financial assets and liabilities commencing in the first quarter of 2008. We are currently assessing the potential impact of SFAS 157 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities - Including an Amendment of FASB Statement No. 115 ("SFAS 159"). SFAS 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses, arising subsequent to adoption are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007 and, accordingly, we will adopt SFAS 159 in the first quarter of 2008. We are currently assessing the impact of SFAS 159 on our consolidated financial statements.

In December 2007, the SEC issued SAB No. 110, Certain Assumptions Used in Valuation Methods – Expected Term ("SAB 110"). According to SAB 110, under certain circumstances the SEC staff will continue to accept beyond December 31, 2007 the use of the simplified method in developing an estimate of expected term of share options that possess certain characteristics in accordance with SFAS 123(R) beyond December 31, 2007. We will adopt SAB 110 effective January 1, 2008 and continue to use the simplified method in developing the expected term used for our valuation of stock-based compensation.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how the acquiror of a business (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures in its financial statements the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning on or after December 15, 2008 and, accordingly, we will apply SFAS 141(R) for acquisitions effected subsequent to the date of adoption.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—an Amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective beginning January 1, 2009. We are currently assessing the potential impact of SFAS 160 on our consolidated financial statements.

Results of Operations

Years Ended December 31, 2007, 2006 and 2005

The following table sets forth, for the years ended December 31, 2007, 2006 and 2005, information derived from our statements of operations as a percentage of revenues. This information should be read in conjunction with the accompanying financial statements and the Notes thereto.

	Year Ended December 31,		
	2007	2006	2005
Revenues	100%	100%	100%
Cost of revenues	20	20	21
Gross profit	80	80	79
Operating expenses:			
Sales and marketing	18	17	16
Research, development and engineering	5	5	5
General and administrative	18	21	16
Total operating expenses	41	43	37
Operating earnings	39	37	42
Gain on sale of investment	—	—	7
Interest and other income	4	4	2
Interest and other expense	—	—	—
Earnings before income taxes	43	41	51
Income tax expense	12	11	16
Net earnings	31%	30%	35%

Revenues

Subscriber Revenues. Subscriber revenues consist of both a fixed monthly recurring subscription component and a variable component that is driven by the actual usage of our service offerings. Over the past three years the fixed portion of our subscriber revenues has contributed an increasing percentage to our subscriber revenues of 76%, 72% and 71% for 2007, 2006 and 2005, respectively. Subscriber revenues were $212.3 million, $175.2 million and $139.7

million for the years ended December 31, 2007, 2006 and 2005, respectively. The increase in subscriber revenues over this three-year period was due primarily to an increase in the number of our paying subscribers. The increase in our base of paying subscribers was primarily the result of new sign-ups derived from subscribers coming directly to our Websites, free-to-paid subscriber upgrades, small to mid-sized corporate and enterprise sales, direct large enterprise and government sales, direct marketing spend for acquisition of paying subscribers and international sales, in each case net of cancellations.

Other Revenues. Other revenues were $8.4 million, $5.9 million and $4.2 million for the years ended December 31, 2007, 2006 and 2005, respectively. Other revenues consist primarily of patent licensing revenues and advertising revenues generated by delivering email messages to our free customers on behalf of advertisers. The increase in other revenues from 2005 through 2007 resulted primarily from an increase in patent licensing revenues.

Cost of Revenues

Cost of revenues is primarily comprised of costs associated with data and voice transmission, telephone numbers, network operations, customer service, online processing fees and equipment depreciation. Cost of revenues was $44.0 million, or 20% of revenues, $36.7 million, or 20% of revenues, and $29.8 million, or 21% of revenues, for the years ended December 31, 2007, 2006 and 2005, respectively. Cost of revenues as a percentage of revenues was consistent from 2006 to 2007 due to enhanced utilization of network capacity offset by costs associated with network expansion. Cost of revenues as a percentage of revenues decreased from 2005 to 2006 primarily due to enhanced utilization of network capacity.

Operating Expenses

Sales and Marketing. Our sales and marketing costs consist primarily of Internet-based advertising, sales and marketing personnel costs and other business development-related expenses. Our Internet-based advertising relationships consist primarily of fixed cost and performance-based (cost-per-impression, cost-per-click and cost-per-acquisition) advertising relationships with an array of online service providers. We have a disciplined return-on-investment approach to our Internet-based advertising and marketing spend, which causes sales and marketing costs as a percentage of total revenues to vary from period to period. Sales and marketing expense was $38.8 million, or 18% of revenues, $30.8 million, or 17% of revenues, and $23.0 million, or 16% of revenues, for the years ended December 31, 2007, 2006, and 2005, respectively. The increase from 2006 to 2007 was due primarily to increased expense in 2007 to promote new brands and new services and promote our services internationally together with testing of new advertising media. Our expenditures to promote new brands and services, to promote our services in new geographic locations and to test new advertising media are not expected to generate as high returns on investment as we experience with our established brands, services, locations and advertising media. The increase from 2005 to 2006 was due primarily to increased Internet-based advertising and additional personnel. Our Internet-based advertising relationships consist primarily of fixed cost and performance-based (cost-per-impression, cost-per-click and cost-per-acquisition) advertising relationships with an array of online service providers.

Research, Development and Engineering. Our research, development and engineering costs consist primarily of personnel-related expense. Research, development and engineering expense was $11.8 million, or 5% of revenues, $8.8 million, or 5% of revenues, and $7.1 million, or 5% of revenues, for the years ended December 31, 2007, 2006 and 2005, respectively. The increase in research, development and engineering costs over this three-year period was primarily due to an increase in personnel costs to maintain our existing services, accommodate our service enhancements, develop and implement additional service features and functionality and continue to bolster our infrastructure security.

General and Administrative. Our general and administrative costs consist primarily of personnel-related expenses, depreciation and amortization, stock-based compensation expense, bad debt expense and insurance costs. General and administrative expense was $39.7 million, or 18% of revenues, $38.8 million, or 21% of revenues, and $23.5 million, or 16% of revenues, for the years ended December 31, 2007, 2006 and 2005, respectively. General and administrative expense as a percentage of revenues decreased from 2006 to 2007 primarily due to costs incurred in 2006, but not in 2007, in connection with an independent investigation by a special committee of our Board of Directors, partially offset by increases in personnel, legal and bad debt expense in 2007. The increase in general and administrative expense as a percentage of revenues from 2005 to 2006 was primarily attributable to the expense in 2006 of the independent investigation, stock-based compensation expense and related payroll tax expense, professional fees, bad debt expense and additional personnel due to internal growth and acquisitions.

Stock-Based Compensation

The following table represents the stock-based compensation expense included in cost of revenues and operating expenses in the accompanying consolidated statements of operations for the years ended December 31, 2007, 2006

and 2005 (in thousands):

	Year Ended December 31,		
	2007	2006	2005
Cost of revenues	$ 668	$ 316	$ 43
Operating expenses:			
Sales and marketing	1,187	1,038	75
Research, development and engineering	771	556	326
General and administrative	4,788	3,782	325
	$ 7,414	$ 5,692	$ 769

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Non-Operating Income and Expenses

Gain on Sale of Investment. In 2005, we recognized $9.8 million as a gain on sale of an investment. The gain resulted from the acquisition by SigmaTel, Inc. of Oasis Semiconductor, Inc., a business in which we owned a minority equity interest, and a related dividend by Oasis immediately prior to the closing of the merger.

Interest and Other Income. Our interest and other income is generated primarily from interest earned on cash, cash equivalents and short and long-term investments. Interest and other income amounted to $9.3 million, $7.3 million and $3.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. The increase in interest and other income from 2006 to 2007 was due to a combination of higher cash and investment balances and higher interest rates. The increase in interest and other income from 2005 to 2006 was due to a combination of higher cash and investment balances, higher interest rates and approximately $1.3 million in other income in 2006 from litigation settlement proceeds. Due to falling interest rates, the interest earned on our cash, cash equivalents and short and long-term investments may decrease in 2008, which may or may not be offset by increasing cash and investment balances and efforts to invest in higher return investments.

Interest and Other Expense. Our interest and other expense amounted to approximately $237,000, $74,000 and $76,000 for the years ended December 31, 2007, 2006 and 2005, respectively. Interest and other expense were primarily related to realized losses from foreign currency transactions for 2007. For 2006 and 2005, interest and other expense was primarily related to interest on capital lease obligations and long term debt.

Income Taxes. Our effective income tax rate is based on pre-tax income, statutory tax rates, tax regulations (including those related to transfer pricing) and different tax rates in the various jurisdictions in which we operate. The tax bases of our assets and liabilities reflect our best estimate of the tax benefits and costs we expect to realize. We establish valuation allowances to reduce our deferred tax assets to an amount that will more likely than not be realized.

As of December 31, 2007, we had utilizable federal and state (California) net operating loss carryforwards (“NOLs”) of approximately $6.2 million and $6.7 million, respectively, after considering substantial restrictions on the utilization of these NOLs due to “ownership changes”, as defined in the Internal Revenue Code. We currently estimate that all of the above-mentioned federal and state NOLs will be available for use before their expiration. These NOLs expire through the year 2021 for the federal and 2014 for the state. In addition, as of December 31, 2007, we had state research and development tax credits of $0.4 million, which last indefinitely.

Income tax expense amounted to $27.0 million, $20.1 million and $23.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. Our effective tax rates for 2007, 2006 and 2005 were approximately 28%, 27% and 31%, respectively. The increase in our annual effective income tax rate from 2006 to 2007 was primarily attributable to an increase in the proportion of our taxable income being sourced in the U.S. and subject to higher tax rates than in foreign jurisdictions, offset in part by the favorable impact of the lapse of a statute of limitations, which caused a reduction in our liability for unrecognized tax benefits of approximately $1.1 million in 2007. The decrease in our income tax rate from 2005 to 2006 was primarily attributable to an increasing proportion of our taxable income being sourced in foreign jurisdictions with tax rates lower than those in the U.S.

Significant judgment is required in determining our provision for income taxes and in evaluating our tax positions on a worldwide basis. We believe our tax positions, including intercompany transfer pricing policies, are consistent with the tax laws in the jurisdictions in which we conduct our business. It is possible that these positions may be challenged, which may have a significant impact on our effective tax rate.

The amount of income taxes we pay is subject to audit by federal, state and foreign tax authorities. Our estimate of the potential outcome of any uncertain tax issue is subject to management’s assessment of relevant risks, facts, and circumstances existing at that time. We believe that we have adequately provided for reasonably foreseeable outcomes related to these matters in accordance with FIN 48. We recorded a liability for unrecognized tax benefits of

approximately $5.9 million in accordance with FIN 48 for the year ended December 31, 2007. However, our future results may include material favorable or unfavorable adjustments to the estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate.

Liquidity and Capital Resources

Cash and Cash Equivalents and Investments

At December 31, 2007, we had total cash and investments of $229.8 million, consisting of cash and cash equivalents of $154.2 million, short-term investments of $54.3 million and long-term investments of $21.2 million. Our investments are comprised primarily of readily marketable corporate debt securities, debt instruments of the U.S. government and its agencies, auction rate debt preferred

securities and certificates of deposits. For financial statement presentation, we classify our investments primarily as held-to-maturity, and, thus, they are reported as short-term and long-term based upon their maturity dates. Short-term investments mature within one year of December 31, 2007 and long-term investments mature one year or more from December 31, 2007.

A portion of our investment portfolio is invested in auction rate debt securities and if an auction fails for amounts we have invested, our investment will not be liquid until a future auction on these investments is successful. If the issuer is unable to successfully close future auctions and their credit rating deteriorates, we may be required to adjust the carrying value of the investment through an impairment charge. We classify auction rate debt securities as short-term investments as the established interest rate reset periods are less than one year. However, in the event of a failed auction rate debt security, we may determine to hold such security until maturity and reclassify such security to long-term investments. During the fourth quarter of 2007, as a result of such failed auctions, we reclassified short-term available-for-sale investments of $11.4 million to long-term held-to-maturity investments and recognized an unrealized loss of $0.3 million in accumulated other comprehensive income/(loss) in our consolidated financial statements. Based on our ability to access our cash and other short-term investments, our expected operating cash flows, and our other sources of cash, we do not anticipate the lack of liquidity on these investments to affect our ability to operate our business as usual. Except as noted above, there have been no significant changes in the maturity dates and average interest rates for our investment portfolio and debt obligations subsequent to December 31, 2007.

Cash Flows

Our primary sources of liquidity are cash flows generated from operations, together with cash and cash equivalents and short-term investments. Net cash provided by operating activities was $94.2 million, $73.0 million and $64.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. Our operating cash flows result primarily from cash received from our subscribers, offset by cash payments we make to third parties for their services, employee compensation and tax payments. More than two-thirds of our subscribers pay us via credit cards and therefore our receivables from subscribers generally settle quickly. Our cash and cash equivalents and short-term investments were $208.5 million, $179.1 million and $112.8 million at December 31, 2007, 2006 and 2005, respectively.

We currently anticipate that our existing cash, cash equivalents, short-term investments and cash generated from operations will be sufficient to meet our anticipated needs for working capital, capital expenditures, investment requirements, and commitments.

Net cash used in investing activities was $7.0 million, $5.0 million and $49.1 million for the years ended December 31, 2007, 2006 and 2005, respectively. Net cash used in investing activities in 2007 and 2006 was primarily attributable to purchases of investments, acquisitions of businesses, purchases of property and equipment and purchases of intangible assets, offset by proceeds from sales and maturities of investments. Net cash used in investing activities in 2005 was primarily attributable to purchases of investments and acquisition of businesses, offset by maturities of investments and proceeds from sale of an investment.

Net cash provided by (used in) financing activities was $(29.9) million, $(9.4) million and $2.8 million for the years ended 2007, 2006 and 2005, respectively. For 2007, net cash used by financing activities was primarily comprised of repurchases of our common stock offset by proceeds from the exercise of stock options and common shares issued under our employee stock purchase plan. For 2006, net cash used in financing activities was primarily comprised of repurchases of our common stock and repayment of long-term debt, offset by proceeds from the exercise of stock options and common shares issued under our employee stock purchase plan. Net cash provided by financing activities in 2005 was primarily comprised of proceeds from the exercise of stock options and warrants partially offset by debt repayment.

Capital Expenditures

We have financed a portion of our operating technology equipment, software and office equipment through capital lease and loan arrangements. Amounts due under these arrangements were zero, $0.1 million and $0.7 million at December 31, 2007, 2006 and 2005, respectively.

Income Taxes

For 2005 our cash flows were positively impacted by the utilization of our NOLs and tax credit carryforwards. As of December 31, 2006 and 2007, our available NOLs and tax credit carryforwards are not expected to have a material impact on future cash flows. As such, we expect our cash tax payments to be higher than in 2005. However, we continue to expect our cash tax payments to be reduced by the tax deduction related to stock option exercises and restricted stock vesting.

Stock Repurchase Program

In March 2006, our Board of Directors approved a program authorizing the repurchase of up to 2,000,000 shares of our common

stock through December 31, 2008. During 2007, we repurchased all 1,529,100 of the remaining shares of common stock authorized under this repurchase program at an aggregate cost of approximately $42.4 million (including commission fees of approximately $46,000). In February 2008, j2 Global's Board of Directors approved a common stock repurchase program authorizing the repurchase of up to five million shares of our common stock through the end of December 2010 (see Note 18 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K).

Off-Balance Sheet Entities

As of December 31, 2007, we did not have interests in any variable interest entities, as defined by FASB Interpretation No. 46 (Revised 2003), Consolidation of Variable Interest Entities—An Interpretation of ARB No. 51.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2007:

	Payments Due by Period (In thousands)				
Contractual Obligations	Total	1 Year	2-3 Years	4-5 Years	More than 5 Years
Operating leases	$ 4,286	$ 1,486	$ 1,684	$ 224	$ 892
Telecom services and co-location facilities	10,858	4,560	6,298	—	—
Computer software and related services	1,300	1,300	—	—	—
	$ 16,444	$ 7,346	$ 7,982	$ 224	$ 892

Calculation of Average Revenue per Paying Telephone Number

	December 31,		
	2007	2006	2005
	(In thousands except average monthly revenue per paying telephone number)		
DID-based revenues	$ 201,776	$ 167,882	$ 134,018
Less other revenues	(7,232)	(5,355)	(3,993)
Total paying telephone number revenues	$ 194,544	$ 162,527	$ 130,025
Average paying telephone number monthly revenue (total divided by number of months)	$ 16,212	$ 13,544	$ 10,835
Number of paying telephone numbers			
Beginning of period	907	740	554
End of period	1,064	907	740
Average of period	985	823	647
Average monthly revenue per paying telephone number (1)	$ 16.46	$ 16.45	$ 16.75

(1) Due to rounding, individual numbers may not recalculate.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The following discussion of the market risks we face contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties. Actual results could differ materially from those discussed in the forward-looking statements.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We maintain an investment portfolio of various holdings, types and maturities. The primary objectives of our investment activities are to preserve our principal while at the same time maximizing yields without significantly increasing risk. To achieve these objectives, we maintain our portfolio of cash equivalents and investments in a mix of tax-exempt and taxable instruments that meet high credit quality standards, as specified in our investment policy. Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2007, the carrying value of our cash and cash equivalents approximated fair value. Our return on these investments is subject to interest rate fluctuations. None of our investments are held for trading purposes.

Our short and long-term investments are comprised primarily of readily marketable corporate debt securities, debt instruments of the U.S. government and its agencies, auction rate debt, preferred securities and certificates of deposits. Investments in fixed rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. Our interest income is sensitive to changes in the general level of U.S. and foreign countries' interest rates. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates. As of December 31, 2007 and 2006, we had investments in debt securities with effective maturities between three months and one year of approximately $54.3 million and $83.5 million, respectively. Such investments had a weighted-average yield of approximately 4.2% and 3.9%, respectively. As of December 31, 2007 and 2006, we had investments in debt securities with effective maturities between one and four years of approximately $21.2 million and $12.5 million, respectively. Such investments had a weighted average yield of approximately 5.7% and 5.0%, respectively. Based on our cash and cash equivalents and short-term and long-term investment holdings as of December 31, 2007, an immediate 100 basis point decline in interest rates would decrease our annual interest income by approximately $2.3 million.

Foreign Currency Risk

We conduct business in certain foreign markets, primarily in Canada and the European Union. Our primary exposure to foreign currency risk relates to investment in foreign subsidiaries that transact business in functional currencies other than the U.S. Dollar, primarily the Canadian Dollar, Euro and British Pound Sterling. However, the exposure is mitigated by our practice of generally reinvesting profits from international operations in order to grow that business.

As we increase our operations in international markets we become increasingly exposed to changes in currency exchange rates. The economic impact of currency exchange rate movements is often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause us to adjust our financing and operating strategies.

As currency exchange rates change, translation of the income statements of the international businesses into U.S. Dollars affects year-over-year comparability of operating results. Historically, we have not hedged translation risks because cash flows from international operations were generally reinvested locally; however, we may do so in the future.

Foreign exchange gains and losses were not material to our earnings in 2007, 2006 or 2005. For the years ended December 31, 2007, 2006 and 2005, translation adjustments amounted to $2.1 million, $2.3 million and $(1.7) million, respectively. As of December 31, 2007, cumulative translation adjustments included in other comprehensive

income amounted to $2.6 million. We periodically review our strategy for hedging transaction risks. Our objective in managing foreign exchange risk is to minimize the potential exposure to changes that exchange rates might have on earnings, cash flows and financial position.

We currently do not have derivative financial instruments for hedging, speculative or trading purposes and therefore are not subject to such hedging risk. However, we may in the future engage in hedging transactions to manage our exposure to fluctuations in foreign currency exchange rates.

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Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
j2 Global Communications, Inc.

We have audited the consolidated balance sheet of j2 Global Communications, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2007, and the related consolidated statement of operations, stockholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule of j2 Global Communications, Inc. and its subsidiaries listed in Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of j2 Global Communications, Inc. and its subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company has adopted the provisions of Statement of Financial Accounting Standards Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" on January 1, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), j2 Global Communications, Inc. and its subsidiaries' internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 18, 2008 expressed an unqualified opinion on the effectiveness of j2 Global Communications, Inc.'s internal control over financial reporting.

/s/ SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Los Angeles, California
February 18, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
j2 Global Communications, Inc.
Los Angeles, California

We have audited the accompanying consolidated balance sheet of j2 Global Communications, Inc. and subsidiaries (the "Company") as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of j2 Global Communications, Inc. and subsidiaries as of December 31, 2006 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company has adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," on January 1, 2006 and accordingly, has changed its method of accounting for share-based compensation.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
March 11, 2007

j2 GLOBAL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006
(In thousands, except share amounts)

	2007	2006
ASSETS		
Cash and cash equivalents	$ 154,220	$ 95,605
Short-term investments	54,297	83,498
Accounts receivable, net of allowances of $1,378 and $1,105, respectively	15,365	11,989
Prepaid expenses and other	5,061	4,779
Deferred income taxes	1,724	2,643
Total current assets	230,667	198,514
Long-term investments	21,241	12,493
Property and equipment, net	23,511	18,951
Goodwill	39,452	30,954
Other purchased intangibles, net	29,220	21,400
Deferred income taxes	6,113	5,406
Other assets	205	442
Total assets	$ 350,409	$ 288,160
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 17,516	$ 17,117
Income taxes payable	4,649	4,511
Deferred revenue	14,708	11,530
Current portion of long-term debt	—	149
Total current liabilities	36,873	33,307
Accrued income tax liability	30,863	—
Other	59	112
Total liabilities	67,795	33,419
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value. Authorized 1,000,000 and none issued	—	—
Common stock, $0.01 par value. Authorized 95,000,000 at December 31, 2007 and 2006; total issued and outstanding 48,665,612 and 49,318,144 shares at December 31, 2007 and 2006, respectively	543	535
Additional paid-in capital	121,503	144,935
Treasury stock, at cost (5,660,324 and 4,131,224 shares at December 31, 2007 and 2006, respectively)	(4,662)	(4,647)
Retained earnings	162,281	112,735
Accumulated other comprehensive income	2,949	1,183
Total stockholders' equity	282,614	254,741
Total liabilities and stockholders' equity	$ 350,409	$ 288,160

See Notes to Consolidated Financial Statements

j2 GLOBAL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2007, 2006 and 2005
(In thousands, except share and per share data)

	2007	2006	2005
Revenues:			
Subscriber	$ 212,329	$ 175,171	$ 139,706
Other	8,368	5,908	4,235
	220,697	181,079	143,941
Cost of revenues (including stock-based compensation of $668, $316 and $43 in 2007, 2006 and 2005, respectively)	43,987	36,723	29,844
Gross profit	176,710	144,356	114,097
Operating expenses:			
Sales and marketing (including stock-based compensation of $1,187, $1,038 and $75 in 2007, 2006 and 2005, respectively)	38,768	30,792	23,025
Research, development and engineering (including stock-based compensation of $771, $556, and $326 in 2007, 2006 and 2005, respectively)	11,833	8,773	7,134
General and administrative (including stock-based compensation of $4,788, $3,782 and $325 in 2007, 2006 and 2005, respectively)	39,683	38,754	23,464
Total operating expenses	90,284	78,319	53,623
Operating earnings	86,426	66,037	60,474
Other income (expenses):			
Gain on sale of investment	—	—	9,808
Interest and other income	9,272	7,269	3,416
Interest and other expense	(237)	(74)	(76)
Total other income and expenses	9,035	7,195	13,148
Earnings before income taxes	95,461	73,232	73,622
Income tax expense	27,000	20,101	23,004
Net earnings	$ 68,461	$ 53,131	$ 50,618
Net earnings per common share:			
Basic	$ 1.40	$ 1.08	$ 1.05
Diluted	$ 1.35	$ 1.04	$ 0.99
Weighted average shares outstanding:			
Basic	48,953,483	49,209,129	48,224,818
Diluted	50,762,007	51,048,995	51,171,794

See Notes to Consolidated Financial Statements

j2 GLOBAL COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2007, 2006 and 2005
(In thousands, except share amounts)

	Common stock			Treasury stock					
	Shares	Amount	Additional paid-in capital	Shares	Amount	Notes receivable from stockholders	Retained earnings	Accumulated other comprehensive income/(loss)	Stockholders' equity

	2009	% of Sales	2008	% of Sales
Fresh Pork	$ 141,174	77%	$ 121,742	81.2%
Frozen Pork	17,438	9.5%	11,026	7.4%
Processed Food Products	24,779	13.5%	17,026	11.4%
Total Cost of Sales:	$ 183,391	100%	$ 149,794	100%

The following table shows the average per-kilogram price we paid for live pigs in 2009 and 2008:

	Average Unit Price Per Kilogram in 2009 (in RMB)	Average Unit Price Per Kilogram in 2008 (in RMB)	Price Increase/(Decrease) (in RMB)	% Increase/(Descrease) from 2008 to 2009
First Quarter	12.06	16.00	(3.94)	(24.63)%
Second Quarter	10.27	15.76	(5.49)	(34.84)%
Third Quarter	11.95	14.43	(2.48)	(17.19)%
Fourth Quarter	12.23	14.43	(2.20)	(15.25)%

Our average price paid for live pigs in 2009 decreased from RMB14.63 per kilogram to RMB11.62 per kilogram or by approximately 20.6% for 2009, as compared with the prior year. Even though our cost decreased year over year, our average cost fluctuated during 2009, continuing to decrease during the first two quarters, and then increasing in the last two quarters but still ending the year below 2008 levels. We believe that the price we pay for our pigs is in-line with the applicable local market price but may differ in certain situations depending on the grade of pig purchased, which ranges from grade 1 through 4. We believe that the changes in the prices that we pay for live pigs, even though price fluctuations may reduce or increase cost of sales, is generally offset by changes in revenue resulting from similar, directional price changes in the average per kilogram sales price of our products.

In 2009, we experienced price increases in electricity, water and coal, all of which we use in our production process. However, this increase in utilities was in proportion to the increase of our sales volume, and not due to an increase in the unit price of the utilities, with the exception of coal for which the unit price did increase slightly. Total wages increased in 2009 due to the addition of new employees to handle the increase of our sales, but the salaries of our employees remained stable. Lastly, similar to 2008, we experienced slight increases in transportation and delivery costs in 2009, corresponding with the increased sales. Management also believes that productivity remained steady, with no significant changes from 2008 to 2009. Our increased use of sales agents did not increase our cost of sales as unit price discounts granted to sales agents during a given period are reflected as a reduction in sales for that period. Instead, operating expenses were decreased because the marketing activities of our sales agents allowed us to decrease our direct marketing expenses.

Gross Profit. Gross profit was $30,153,685 for the year ended December 31, 2009 as compared to $26,565,764 for the year ended December 31, 2008, representing an increase of $3,587,921, or approximately 14%. The gross profits for Fresh Pork, Frozen Pork and Processed Foods in 2009 were $17,161,348, $4,352,234 and $8,498,235, respectively. Management attributes the increase in gross profit to strong increases in sales, driven by strong demand for our products. In 2009, though the price of fresh pork and frozen pork was decreased, the strong demand for these two products led to the increase in gross profit in 2009. Our gross profit as a percentage of sales was 14.12% in 2009 as compared to 15.04% in 2008. The slight decrease in gross profit as a percentage of sales was attributable to lower sales prices per unit. Any reduction in sales due to discounts granted to sales agents did not have a material effect on gross profit due to the increase in sales generated by the marketing activities of the new sales agents, and the decrease in our direct selling expenses given our greater reliance on the marketing activities of the sales agents. We believe that, in the long run, the increased end users of our products generated by sales agents will outweigh any discounts granted to sales agents.

The table below presents gross profit and the associated margin for each product group in 2009 and 2008.

2009

	Sales by Product	% of Sales	Cost of Sales by Product	% of Cost of Sales	Gross Profit by Product	% of Gross Profit
Fresh Pork	158,440,717	74.20%	141,174,109	76.98%	17,266,608	57.26%
Frozen Pork	21,804,771	10.21%	17,438,051	9.51%	4,366,720	14.48%
Processed Food Products	33,299,687	15.59%	24,779,330	13.51%	8,520,357	28.26%
Sales	213,545,175	100.00%	183,391,490	100.00%	30,153,685	100.00%

2008

	Sales by Product	% of Sales	Cost of Sales by Product	% of Cost of Sales	Gross Profit by Product	% of Gross Profit
Fresh Pork	141,801,862	80.40%	121,742,234	81.27%	20,059,628	75.51%
Frozen Pork	14,136,226	8.02%	11,026,256	7.36%	3,109,970	11.71%
Processed Food Products	20,421,925	11.58%	17,025,759	11.37%	3,396,166	12.78%
Sales	176,360,013	100.00%	149,794,249	100.00%	26,565,764	100.00%

The decrease in our gross profit margin results from (i) the active policy of the PRC government to avoid spikes in the prices of food products like pork considered to be necessities for consumers, thereby reducing our average sales price per kilogram and (ii) our revenue being affected downward because we have issued larger discounts to sales agents. Given that our larger use of sales agents has reduced our selling expenses in a larger amount than our extension of discounts to sales agents reduced revenue, on a non-GAAP, aggregate basis, these items have had a net positive effect on net profit. On a GAAP basis, this increase was overshadowed by the compensatory expense related to the release of our shares held in escrow.

2009

	Raw Materials	Utilities	Labor	Depreciation	Other	Total

Type f Cost roduct Type							
	Product Cost Composition in $	$ 139,055,196	$ 303,024	$ 344,232	$ 994,686	$ 476,971	$ 141,174,109
resh Pork	Product Cost Composition in %	98.50%	0.21%	0.24%	0.70%	0.34%	100.00%
	Product Cost Composition in $	$ 17,176,320	$ 37,430	$ 42,520	$ 122,865	$ 58,916	$ 17,438,051
rozen Pork	Product Cost Composition in %	98.50%	0.21%	0.24%	0.70%	0.34%	100.00%
	Product Cost Composition in $	$ 23,195,189	$ 346,866	$ 354,719	$ 759,172	$ 123,384	$ 24,779,330
rocessed Food roducts	Product Cost Composition in %	93.61%	1.40%	1.43%	3.06%	0.50%	100.00%
ost of Sales		$ 179,426,705	$ 687,320	$ 741,471	$ 1,876,723	$ 659,271	$ 183,391,490

				2008			
Type f Cost roduct Type		Raw Materials	Utilities	Labor	Depreciation	Other	Total
	Product Cost Composition in $	$ 119,762,993	$ 307,382	$ 350,557	$ 999,010	$ 322,292	$ 121,742,234
resh Pork	Product Cost Composition in %	98.37%	0.25%	0.29%	0.82%	0.26%	100.00%
	Product Cost Composition in $	$ 10,846,995	$ 27,840	$ 31,750	$ 90,481	$ 29,190	$ 11,026,256
rozen Pork	Product Cost Composition in %	98.37%	0.25%	0.29%	0.82%	0.26%	100.00%
	Product Cost Composition in $	$ 15,596,680	$ 271,565	$ 361,030	$ 701,548	$ 94,937	$ 17,025,759
rocessed Food roducts	Product Cost Composition in %	91.61%	1.60%	2.12%	4.12%	0.56%	100.00%
ost of Sales		$ 146,206,668	$ 606,787	$ 743,337	$ 1,791,039	$ 446,419	$ 149,794,249

Other than changes in our costs for live pigs, our costs have remained stable and the percentages of cost of sales reflected by our major cost drivers have experienced minimal changes. Our overhead costs, which include utilities, labor, depreciation, and miscellaneous expenses, have decreased slightly as a percentage of cost of sales reflecting economies of are being spread over a greater volume of sales.

Selling Expenses. Selling expenses totaled $2,151,988 for the year ended December 31, 2009, as compared to $5,147,366 for the year ended December 31, 2008, a decrease of $2,995,378 or 58.2%. The decrease in our selling expenses in 2009 is attributable to the increase of sales to sales agents, through whom selling expenses are lower than through other sales channels because we do not have to market our products to end users who buy our products from sales agents. In fact, our advertising and marketing expenditures decreased considerably because the major part of the marketing and promotion of our products were handled directly by sales agents. In return for these services, we granted our sales agents larger discounts and incentives on our products.

General and Administrative Expenses. General and Administrative Expenses totaled $2,507,688 for the year ended December 31, 2009 as compared to $2,675,661 for the year ended December 31, 2008, a decrease of $167,973 or 6.3%. We achieved this small decrease by being able to reduce slightly the costs of doing business as a public company. In 2009, for example, our expenses for hiring independent directors decreased, as compared to the prior year, as the number of independent directors reduced to one in 2009 from four in 2008. In 2009, the local government granted exemption of a portion of our land use tax which also decreased our general expenses.

Other Income (Expense). Our other income (expense) consisted of Other Income, Interest Income, Other Expenses, Interest Expense, and Release of Escrowed Make Good Shares. We had total Other Expenses of $17,349,307 for the year ended December 31, 2009 as compared to $11,385,383 for the year ended December 31, 2008, an increase of $86,515, or 30.38%. The substantial increase in Other Expenses in 2009 was primarily attributable to the accrual of the expected release of escrowed shares pursuant to a make good agreement related to the Exchange Transaction and Financing on December 31, 2007. Our Other Income (Expense) for the year ended December 31, 2009 and 2008 is summarized as follows:

	2009	2008
Other Income (Expenses)		
Other Income	43,568	5,780
Other Expense	(91,943)	(100,183)
Interest Income	198,259	284,774
Interest Expense	(1,031,197)	(953,460)
Release of Escrowed Make Good Shares	(16,467,994)	(10,622,294)
Total Other Income and Expense	(17,349,307)	(11,385,383)

Pursuant to such make good agreement, a total of 3,863,636 shares of our common stock held by a trust, the beneficiaries of which include our CEO Mr. Shi Huashan and his family, were deposited into a make good escrow account. These shares were to be released back to Mr. Shi and his family 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. In the event that the Company did not meet the aforementioned financial targets, the escrowed shares would be released, on a pro-rata basis, to the investors in the Financing. In accordance with a settlement agreement that we signed with certain investors in the Financing, the 1,931,818 shares held in escrow in connection with the 2008 earnings targets have been released. In accordance with Topic 5.T of the Staff Accounting Bulletins (SAB 79), the Company has recorded a compensatory expense for the shares with a corresponding credit to the Company's contributed paid in capital. The compensatory expense in the aggregate is equal to $16.5 million and $10.6 million for the years ended December 31, 2009 and 2008. For the year ended December 31, 2009, the Company has met its financial target, and therefore the remaning 1,931,818 shares will be released.

Net Income . Our net income for the year ended December 31, 2009 was $6,054,442 as compared to $6,837,265 for the year ended December 31, 2008, a decrease of $782,823 or 11%. This decrease in net income is basically attributable to the recorded expense in the amount of $16,467,994 in 2009 as above-mentioned.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Twelve Months Ended December 31, 2009

Net cash inflow sources from operating activities was $28.98 million in fiscal 2009 while net cash flow used in operating activities was $3.23 million in fiscal 2008. Prior to 2007, we offered flexible payment terms to agents who purchase pork products from us for resale to retailers, but in March of 2007, we eliminated this practice and required agents to pay promptly for products ordered. In 2008, we established a more comprehensive set of payment terms determined by the creditworthiness and the length of time we have worked with such agents and retailers. For example, we require our new customers to pre-pay or pay upon delivery for our products since we are unfamiliar with their history and creditworthiness. For customers we have worked with over a period of time and with good credit, we give them until the end of the month to pay for our products. For customers we have worked with for over 3 years and have established their creditworthiness, we offer them payment terms of 30 to 60 days. We are more lenient toward large retailers and supermarkets since they have a more complete accounting and purchasing system and there is a lesser possibility of breach of payment terms or non-payment. The payment terms for such large retailers usually range between 45 to 75 days, to be negotiated with each individual retailer prior to the execution of contract. To improve our process of collecting accounts receivable as compared to the prior year, we have also placed a cap on accounts receivable in proportion to the quantity ordered. The agent or retailer must pay down the balance of the accounts payable once the maximum cap is reached on their accounts, even if it is prior to the expiration of their payment terms.

In 2009, there was a decrease in interest paid to $0.83 million compared to the prior year. The decrease of such interest paid was due to the fact that all the outstanding loans were made during the fourth quarter of 2009, which carried on a small amount of interest expenses in 2009. We had a decrease in interest earned of $198,259 in 2009.

We had $4.25 million in escrowed funds in December 2007. Pursuant to a holdback escrow agreement executed on December 31, 2007, $2 million was held in escrowed funds subject to hiring a certain number of independent directors, $1.5 million was held subject to hiring a qualified Chief Financial Officer, $250,000 was held to hire one of the agreed upon investor relations firms, and $500,000 was held to hire one of the independent public accounting firms of record. As of fiscal year 2009, only $35,675 in the escrow account had been released in connection with the hiring of an investor relations firm. Currently, we no longer are retaining such firm.

On December 30, 2009, we entered into a settlement agreement (the “Settlement Agreement”) with certain investors (the “Investors”) in our December 2007 $17 million common stock financing (the “Financing”). Pursuant to the Settlement Agreement, we agreed to new arrangements with the Investors regarding (i) the release of certain “make good” shares placed into escrow by certain our affiliates in connection with the Financing, (ii) the potential waiver of $1.7 million of liquidated damages owed by the Company in connection with the Financing (the “Liquidated Damages”) if a resale registration statement relating to the shares of our common stock held by the Investors is declared effective by March 31, 2010, or alternatively, if certain conditions are met, May 15, 2010 (the “S-1 Requirement”),and (iii) the release of certain cash amounts that were held back pending our appointment of independent directors and our appointment of a new Chief Financial Officer. The make good shares have been released to our affiliate and the cash holdback amounts have been released to us (less the $1.7 million Liquidated Damages amount) because we have satisfied the conditions precedent set forth in the Settlement Agreement for the release of those shares and holdback amounts. Certain conditions also have been met so as to extend the deadline for the S-1 Requirement to May 15, 2010. If we meet the S-1 Requirement by May 15, 2010, then the $1.7 million Liquidated Damages amount will be released to us within 10 days of the deadline. If we do not meet the S-1 Requirement by May 15, 2010, then the $1.7 million Liquidated Damages amount will be released to the Investors on a pro rata basis within 10 days of the deadline. The parties have agreed that, subject to the receipt of the make good shares and holdback amounts in accordance with the Settlement Agreement, to waive and release one another from all other claims relating to the matters governed by the Settlement Agreement. In May 2010, all the investors who are parties to the Settlement Agreement agreed to extend the deadline for the S-1 Requirement to June 30, 2010.

Net cash flow used in investing activities was $3.99 million in fiscal 2009, compared to cash used in investing activities of $3.76 million in fiscal 2008. There was a decrease from $5.8 million to $3.70 in expenditures for plant and equipment in 2009. We used $327,647 in purchasing intangible assets.

Net cash flow sourced in financing activities was $9.52 million in fiscal 2009 as compared to net cash used from financing activities of $1.44 million in fiscal 2008. We borrowed additional monies in fiscal year 2009 because the term of certain of our credit facilities was expiring, and we determined that, given the tightening of credit in China, that it would be in our best interest to take this extension of credit when available. We plan to use the cash sourced in financing activities for general working capital purposes. The Company maintains three revolving bank loans with the Bank of China (Liaoning Branch) in the term of 12 months and one bank loan with the Agricultural Bank of China (Wafangdian Branch) in the term of 3 months, one bank loan with the Shanghai Pudong Development Bank (Dalian Branch) in the term of 12 month and one bank loan with the Bank of East Asia (Dalian Branch) in the term of 12 months. The amount of credit and interest rate of the bank loans are re-negotiated at the end of each term, and the parties re-execute a new revolving loan agreement every year after negotiation. Compared to 2008, the total amount of our revolving bank loans increased by $ 9.52 million in 2009. For additional details concerning the repayment, see Note 9(B) in the footnotes to our financial statements included with this report.

Our Accounts Payable decreased significantly in 2009 to $3.27 million. The reason was attributable to the payments we made in cash for purchasing live pigs from farmers and the Group in order for us to obtain more sufficient amount of and high quality live pigs. Our taxes payable also increased in 2009 due to an increase of our payable value-added tax. Our Customer Advances decreased to $2.41 million in 2009. The decrease of such advances was due to the fact that we offered our creditworthy customers longer and more flexible payment terms, which in turn reduced our Customer Advances.

Our Related Party Receivable decreased to zero in 2009. The significant decrease is due to the accounting of the Company’s transactions with certain related parties. 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 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 at December 31, 2009 was 2,307,429.

Twelve Months Ended December 31, 2008

Net cash inflow used from operating activities was $3.23 million in fiscal 2008 and while net cash flow sourced in operating activities was $1.97 million in fiscal 2007.

In 2008, there was an increase in interest paid to $1.76 million compared to the prior year. We owed interest payment of $809,994 in 2007 which the Group has paid on our behalf in 2007. We repaid the Group the 2007 interest payment of $809,994 in 2008. In 2008, we also made an interest payment for the interest we owed in 2008 in the amount of $953,460. We had an increase in interest earned of $264,774 in 2008 due to the deposit of more money in our bank accounts and we also earned higher interest by moving some of our money to certificate of deposit accounts.

We had $4.25 million in escrowed funds in December 2007. Pursuant to a holdback escrow agreement executed on December 31, 2007, $2 million was held in escrowed funds subject to hiring a certain number of independent directors, $1.5 million was held subject to hiring a qualified Chief Financial Officer, $250,000 was held to hire one of the agreed upon investor relations firms, and $500,000 was held to hire one of the independent public accounting firms of record. As of fiscal year 2008, only $2 million in the escrow account has been released for satisfying the criteria of hiring the independent directors. Net cash flow used in investing activities was $3.76 million in fiscal 2008, compared to cash used in investing activities of $11.3 million in fiscal 2007. There was an increase from $2.8 million to $5.8 million in expenditures for plant and equipment in 2008. The $3 million increase in spending was used in the renovation and expansion of the production facilities for prepared foods. As a result of the expansion, starting 2009 we can increase our production of prepared foods from 15,000 metric tons to 30,000 metric tons per year. We did not incur any expenses for land use rights in 2008 compared to the $4.1 million we paid for land use rights in 2007. The expense for land use rights in 2007 was a one-time payment that we paid off in 2007.

Net cash flow used in financing activities was $1.44 million in fiscal 2008 as compared to net cash sourced from financing activities of $18.26 million in fiscal 2007. The Company maintains two revolving bank loans with the Bank of China (Liaoning Branch) in the term of eleven months. The amount of credit and interest rate of the bank loans are re-negotiated at the end of each term, and the parties re-execute a new revolving loan agreement every year after negotiation. Upon the expiration of both of our revolving loan agreements executed with the Bank of China (Liaoning Branch) in 2007 that expired during October 2008, we renegotiated and executed two new revolving loan agreements in the total amount of $9.26 million in November 2008. However, this cash inflow was offset by repayment of the above mentioned 2007 bank loans that expired in October 2008 in the amount of $10.07 million. Compared to 2007, the total amount of our revolving bank loans decreased by $1.44 million in 2008. For additional details concerning the repayment, see Note 9(B) in the footnotes to our financial statements included with this report.

The cash flow statement shows that there was an $18 million increase in Accounts Receivable in 2008 compared to 2007. The significant increase was attributable to the more comprehensive billing system implemented by the Company in 2008, which offered our creditworthy customers longer and more flexible payment terms. The implementation of the new billing system boosted our Accounts Receivable and also increased our sales and gross profits. Other Receivable also increased by over $1 million in 2008 because we implemented new credit/debit card machines and had to make adjustments in our accounting to correspond with such change. Many of our showcase stores and customers made cash payments in the past. Due to safety reasons and the problem of counterfeit money, we no longer accepted cash payments in 2008 and switched to using credit/debit card machines provided by the Bank of China. The time of process for the actual payment to be deposited into our bank account takes approximately 4 business days. During this time, the payments are recorded in Other Receivable since they are not actually received and cannot be counted as Accounts Receivable yet. After the money has been transferred into our bank account, we settle and deduct the relevant Accounts Receivable from Other Receivable accordingly.

Our Related Party Receivable decreased by $9.2 million in 2007, yet has an increase of $6.9 million in 2008. The significant increase is due to the accounting of the Company's transactions with certain related parties. 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 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 receivable balance at December 31, 2008 was $10,919,777. Of the $10,919,777 net receivable owed by the Group to the Company, the entire amount has been securitized by bank drafts issued by the bank on behalf of subsidiaries of the Group to the Company. These notes are collateralized by deposits at the bank by those particular subsidiaries of the Group. The drafts can be endorsed and discounted to the bank for cash; however the Company currently intends to hold these drafts until maturity.

Our Accounts Payable increased significantly in 2008 to $3.9 million. The reason was attributable to the extension of our billing period from the original 30 to 60 days granted by our supplier who sells us supplementary materials and packaging materials. The extension of payment term was to reward us for being a good customer. Another contributing factor was we had to pay for the renovation and equipment costs due to the expansion of our production facilities in 2008. Our taxes payable also increased in 2008 due to an increase of our payable value-added tax. Our Customer Advances increased by $3.2 million in 2008. The increase of such advances was for the renovation and expansion of production facilities and purchasing of new equipments. Since the Company has yet to receive an invoice for such renovation and equipment expenses, such costs cannot be accounted into the Company's assets yet.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

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

The following tables summarize our contractual obligations as of December 31, 2009, and the effect these obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
	Total	Less than 1 year	1-3 Years	3-5 Years	5 Years +
Contractual Obligations :					
Bank Indebtedness	$ 15,942,197	$ 15,942,197	$ -	$ -	$ -
Other Indebtedness	$ -	$ -	$ -	$ -	$ -
Capital Lease Obligations	$ -	$ -	$ -	$ -	$ -
Operating Leases	$ -	$ -	$ -	$ -	$ -
Purchase Obligations	$ 164,674,737	$ 164,674,737	$ -	$ -	$ -
Total Contractual Obligations:	$ 180,616,914	$ 180,616,914	$ -	$ -	-

As indicated in the table, as of December 31, 2009 we had $164,674,737 in purchase obligations, which relates to our agreement for the purchase and sale of hogs. On December 19, 2007, we entered into a hog purchase agreement whereby the Group will provide, at fair market prices, a minimum number of hogs to us.

At December 31, 2009, management projected minimum quantities of hogs as detailed in the following table:

Year	Hogs	Price Per Hog	Amount
2010	800,000	$ 205.84	$ 164,674,737

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

Off-balance Sheet Arrangements

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

Related Party Transactions

For a description of our related party transactions, see the section of this Report entitled “Certain Relationships and Related Party Transactions.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rates . Our exposure to market risk for changes in interest rates relates primarily to our short-term obligations; thus, fluctuations in interest rates would not have a material impact on the fair value of these securities. At December 30, 2009, we had approximately $41.98 million in cash and cash equivalents. A hypothetical 10% increase or decrease in interest rates would not have a material impact on our earnings or loss, or the fair market value or cash flows of these instruments.

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

Our exposure to foreign exchange risk primarily relates to currency gains or losses resulting from timing differences between signing of sales contracts and settling of these contracts. Furthermore, we translate monetary assets and liabilities denominated in other currencies into RMB, the functional currency of our operating business. Our results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in our statement of shareholders’ equity. We recorded net foreign currency gains of $2,064,272, $528,277 and 1,776,168 in 2007, 2008 and 2009, respectively. We have not used any forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future. As our sales denominated in foreign currencies, such as RMB, continue to grow, we may consider using arrangements to hedge our exposure to foreign currency exchange risk. Our financial statements are expressed in U.S. dollars but the functional currency of our operating subsidiary is RMB. The value of your investment in our stock will be affected by the foreign exchange rate between U.S. dollars and RMB. A decline in the value of RMB against the U.S. dollar could reduce the U.S. dollar equivalent amounts of our financial results, the value of your investment in our company and the dividends we may pay in the future, if any, all of which may have a material adverse effect on the price of our stock.

LEGAL PROCEEDINGS

We are not aware of any material existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our current directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to us.

DIRECTORS AND EXECUTIVE OFFICERS

Our executive management team and board of directors is comprised of the following individuals, as of April 7, 2010

Name	Age	Position	Effective Date of Appointment
Shi Huashan	50	President, Chief Executive Officer and Chairman	December 31, 2007
Sharon (Xiaorong) Tang	51	Chief Financial Officer	March 31, 2010
Ma Fengqing	47	Vice President and Director	January 28, 2008
Wang Shuying	58	Director	January 28, 2008
Wenbing Christopher Wang	38	Director	March 23, 2010
Joseph Levinson	33	Director	March 23, 2010

Mr. Shi Huashan , age 50, is a graduate of Beijing Renwen University in Corporate Law, and the founder of Chuming. Mr. Shi Huashan has nearly 20 years of experience in the food industry. He established Dalian Chuming Industry Development Company in 1992, which started the Dalian Chuming Group Co., Ltd. From 1992 to present he has served as President and CEO of Chuming and the Dalian Chuming Group Co., Ltd. companies. In 2004, he was selected by the China Meats Association as one of the "Ten Most Influential Entrepreneurs in the China Meat Industry." Mr. Shi Huashan is the current President of the Dalian Food Association. He is Chuming's President, Chief Executive Officer, and Chairman of the Board of Directors.

Ms. Sharon (Xiaorong) Tang , age 51, served as the Chief Financial Officer of EFT Biotech Holdings, Inc. (PK: EFTB) from June 2008 until February 2010. From April 2007 to May 2008, she served as the Chief Financial Officer of Advanced Battery Technologies, Inc. (NASDAQ: ABAT) located in New York City. From May 2006 to April 2007, Ms. Tang served as a Managing Director of First Federal Group of Companies, Inc. located in New York City. From April 1998 to February 2006, she served as a Financial Advisor at Smith Barney, Citigroup in New York City. Ms. Tang holds a MBA from Baruch College in New York City (June 2005), Master of Science in Chemical Engineering from the University of Rochester in New York (1988), and a Bachelor of Science in Chemistry from Peking University in Beijing, China (1986).

Ms. Ma Fengqin , age 47, is a graduate of Dalian Electric Power Economic School, with a major in accounting. From 1990 to 1993, she worked at Dalian Thermo Engineering Company as its Chief Accountant. From 1992 to 2001, Ms. Ma served as Vice President of Dalian Chuming Industry Development Company. Since 2002 she has served as Chuming's Vice President, and a member of the Board of Directors. Ms. Ma is married to Mr. Shi Huashan, Chairman of the Board of Directors.

Ms. Wang Shuying , age 58, member of the Chuming Board of Directors, served from 1996-2004 as Chief of the Dalian Planning Committee's Agriculture Economy Development Section, and now works as a consultant to the Section. From 1991-1996 she was Vice Chief of the Section. A graduate of Dalian Railway College, she was a staff member of the Dalian Machinery Bureau's Agriculture Machinery Department from 1977-1984. From 1984-1989 Ms. Wang was Chief of the Dalian Planning Committee's Industry Section, before undertaking German language studies at the Beijing Foreign Trading University. She completed a training program in Germany at Heidelberg Hiller College from 1989-1991 prior to returning to Dalian's Planning Committee.

Joseph Levinson, age 33 , has been a United States Certified Public Accountant for more than 14 years. He speaks, reads and writes Chinese fluently and has vast experience in China working with Chinese companies. He was previously a Manager in the banking practice of the New York office of Deloitte and Touche and was involved in numerous transactions involving complex financial structures. He also previously worked at KPMG in New York and Hong Kong. In the 1990s, Mr. Levinson served as an executive of Hong Kong Stock Exchange-listed China Strategic Holdings, where his major responsibilities included its subsidiary China Tire, one of the first Mainland Chinese companies to list on the NYSE. Mr. Levinson graduated summa cum laude from the University at Buffalo in 1994 with a double major in accounting and finance.

Wenbing Christopher Wang, age 38 , has served as President of Fushi Copperweld, Inc., (Nasdaq:FSIN) since January 21, 2008. He also served as Chief Financial Officer of Fushi from December 2005 to August 2009 and has as interim Chief Financial Officer since February 28, 2010. Prior to Fushi, Mr. Wang worked for Redwood Capital, Inc., China Century Investment Corporation, Credit Suisse First Boston and VCChina in various capacities. Fluent in both English and Chinese, Mr. Wang holds an MBA in Finance and Corporate Accounting from Simon Business School of the University of Rochester. Mr. Wang also currently serves as a director of General Steel Holdings (NYSE: GSI), China Integrated Energy, Inc. (Nasdaq: CBEH) and Orient Paper, Inc. (NYSE Amex: ONP).

Family Relationships

President and Chairman of the board of directors Mr. Shi Huashan, and Ms. Ma Fengqin, who is a vice president and director, are husband and wife.

The Board of Directors and Committees

On March 23, 2010, the Board of Directors of the Company established an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. Messrs. Levinson and Wang and Ms. Wang, each of whom

are independent directors as defined by Rule 5605(a)(2) of the Marketplace Rules of The Nasdaq Stock Market LLC (the "Nasdaq Marketplace Rules") serve on each committee. Mr. Levinson serves as the Chairman of the Audit Committee, Ms. Wang serves as the Chairman of the Nominating and Corporate Governance Committee, and Mr. Wang serves as the Chairman of the Compensation Committee.

The Board of Directors determined that Joe Levinson possesses accounting or related financial management experience that qualifies him as financially sophisticated within the meaning of Rule 5605(c)(2)(A) of the Nasdaq Marketplace Rules and that he is an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission.

We do not currently have a process for security holders to send communications to the Board.

Director Independence

On March 23, 2010, our Board of Directors appointed two new directors, Joseph Levinson and Wenbing (Christopher) Wang to join Ms. Shuying Wang, as independent directors on our Board. On the same date, Ms. Shu Wang resigned from our Board of Directors.

Our Board of Directors reviewed the independence of Messrs. Levinson and Wang and Ms. Wang using the criteria established by The Nasdaq Stock Market LLC for independence, and determined that each of them meet the criteria for independence set forth in Rule 5605(a)(2) of the Nasdaq Marketplace Rules.

Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and certain of our officers, as well as persons who own more than 10% of a registered class of our equity securities ("Reporting Persons"), to file reports with the Securities and Exchange Commission. To our knowledge, based solely on review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2009, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent shareholders were complied with.

Code of Ethics

The Company has adopted a formal code of ethics , a copy of which was filed as Exhibit 14 to the Company's Annual Report on Form 10-K for 2008. The Company has developed a formal code of ethics that will apply to all of its employees (including its executive officers). The Code of Ethics is designed to deter wrongdoing and to promote ethical conduct and full, fair, accurate, timely and understandable reports that the Company files or submits to the Securities and Exchange Commission and others. A printed copy of the Code of Ethics may also be obtained free of charge by writing to us at our headquarters located at No. 9, Xin Yi Street, Ganjingzi District, Dalian City, Liaoning Province, PRC 116039.

EXECUTIVE COMPENSATION

Our current executive compensation program presently includes a base salary. Our compensation program does not include (i) discretionary annual cash performance-based incentives, (ii) termination/severance and change of control payments, or (iii) perquisites and benefits.

Our Compensation Philosophy and Objectives

Our philosophy regarding compensation of our executive officers includes the following principles:

- our compensation program should align the interests of our management team with those of our shareholders;
- our compensation program should reward the achievement of our strategic initiatives and short- and long-term operating and financial goals;
- compensation should appropriately reflect differences in position and responsibility;
- compensation should be reasonable and bear some relationship with the compensation standards in the market in which our management team operates; and

- the compensation program should be understandable and transparent.

In order to implement such compensation principles, we have developed the following objectives for our executive compensation program:

- overall compensation levels must be sufficiently competitive to attract and retain talented leaders and motivate those leaders to achieve superior results;

- a portion of total compensation should be contingent on, and variable with, achievement of objective corporate performance goals, and that portion should increase as an executive's position and responsibility increases;

- total compensation should be higher for individuals with greater responsibility and greater ability to influence our achievement of operating goals and strategic initiatives;

- the number of elements of our compensation program should be kept to a minimum, and those elements should be readily understandable by and easily communicated to executives, shareholders, and others; and

- executive compensation should be set at responsible levels to promote a sense of fairness and equity among all employees and appropriate stewardship of corporate resources among shareholders.

Determination of Compensation Awards

Our Board of Directors is provided with the primary authority to determine the compensation awards available to our executive officers. To aid the board of directors in making its determination for the last fiscal year, our current senior management provided recommendations to the board of directors regarding the compensation of all executive officers.

Director Compensation

For the fiscal year of 2009, we paid our independent director, Ms. Wang Shuying, a flat fee of $1,000 per month as compensation for her services on the Board.

Executive Compensation

The following executive compensation disclosure reflects all compensation for fiscal year 2009 received by our principal executive officer, principal financial officer, and, if applicable, three most highly compensated executive officers whose salary exceeded US$100,000. We refer to these individuals in this report as “named executive officers.”

Summary Compensation

The following table reflects all compensation awarded to, earned by or paid to our named executive officers for our fiscal years ended December 31, 2009 and 2008:

Summary Compensation

			Annual Compensation (2)	
Name and Principal Position	Fiscal Year	Salary (1) ($)	All Other Compensation (3) ($)	Total ($)
Shi Huashan	2009	$ 200,000	-	200,000
Chief Executive Officer, President	2008	$ 100,000	-	100,000
Wang Shu	2009	$ 100,000	-	100,000
Chief Financial Officer	2008	$ 40,000	-	40,000

(1) Expressed in U.S. Dollars based on the interbank exchange rate of 6.85420 RMB for each 1.00 U.S. Dollar for the year ended December 31, 2009.

(2) In 2008, compensation paid to our officers and directors included no bonuses, stock or option awards, non-equity incentive plan awards, or non-qualified deferred compensation, and accordingly, these columns have been omitted from this table.

(3) In 2008, all other compensation includes transportation subsidy, telecommunication subsidy, and other fringe benefits.

None of our executive officers received, nor do we have any arrangements to pay out, any bonus, stock awards, option awards, non-equity incentive plan compensation, or non-qualified deferred compensation.

Grants of Plan-Based Awards

We did not make any grants of plan-based awards to our directors or named executive officers during our fiscal year-ended December 31, 2009.

Outstanding Equity Awards

There are no unexercised options, stock that has not vested, or equity incentive plan awards for any of our directors or named executive officers outstanding as of December 31, 2009.

Option Exercises and Stock Vested

There were no exercises of stock options, stock appreciation rights, or similar instruments, and no vesting of stock, including restricted stock, restricted stock units and similar instruments, during the last completed fiscal year for any of our directors or named executive officers.

Pension Benefits

We currently have no plans that provide for payments or other benefits at, following, or in connection with retirement of our directors or named executive officers.

Nonqualified Defined Contribution and Other Nonqualified Deferred Compensation Plans

We currently have no defined contribution or other plans that provide for the deferral of compensation to our directors or named executive officers on a basis that is not tax-qualified.

Potential Payments Upon Termination or Change-in-Control

Other than any employment agreements described in this report, we currently have no contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to a named executive officer at, following, or in connection with any termination, including without limitation resignation, severance, retirement or a constructive termination of a named executive officer, or a change in control of the registrant or a change in the named executive officer’s responsibilities, with respect to each named executive officer.

Employment Agreements

Effective at closing of the Exchange Transaction described elsewhere in this report, we entered into executive employment agreements with each of Mr. Shi Huashan (President and Chief Executive Officer), Ms. Wang Shu (acting Chief Financial Officer) and Mr. Chen Fuyuan (Chief Operating Officer). Each agreement provides for a yearly salary of USD $100,000 payable in monthly installments in accordance with our standard payroll practices for salaried employees. Each executive officer’s salary will be subject to adjustment pursuant to our employee compensation policies in effect from time to time. Under the terms of each of the agreements, each executive officer will be entitled to the benefits that we customarily make available to employees in comparable positions. Each officer has the right to terminate his or her employment by giving us prior notice with or without cause, and we hold an equal right. The Board of Directors or appropriate committee thereof, may from time to time, in its sole discretion, adjust the salaries and benefits paid to our executive officers. A copy of the employment agreements are included as exhibits to our Form 8-K filed on January 7, 2008.

Ms. Wang assumed the duties of Chief Financial Officer effective December 23, 2008. The terms of Wang Shu's employment as Chief Financial Officer of the Company are set forth in her original employment agreement dated December 31, 2007. On March 31, 2010, Ms. Wang resigned from her position as Chief Financial Officer.

The following is a summary of the compensation to be paid under these employment agreements in the upcoming fiscal year ended December 31, 2010 to our named executive officers:

Summary of Compensation To Be Paid Under Employment Agreements for
Fiscal Year Ended December 31, 2010

	Annual Compensation		
Name and Principal Position	Salary	Bonus (1)	Other annual Compensation
Shi Huashan President, Chief Executive Officer	$ 200,000	—	—
Wang Shu Chief Financial Officer	$ 120,000	—	—

We have no arrangements with our executive officers to pay bonuses or other annual compensation.

Indemnification of Officers and Directors

The Nevada Revised Statutes and our bylaws permit us to indemnify our officers and directors for liabilities they may incur, including liabilities under the Securities Act and Exchange Act. Our bylaws provide that our officers and directors may be indemnified by us in the event of third party actions, if the officer or director acted in good faith and in a manner that he or she reasonably believed was in or not against the company's best interests, and with respect to any criminal action or proceeding, had no reason to believe that his or her actions were unlawful. Our bylaws also provide that we may provide indemnification for our officer and directors for any action by the company against such directors and officers, if the officer or director acted in good faith and in a manner that he or she reasonably believed was in or not against the company's best interests, except no indemnification may be made for negligence or misconduct of such director's or officer's duties to the company, unless a court in which the matter is brought determines that in view of all the circumstance of the case, the person is fairly and reasonably entitled to indemnification. This and our bylaws indemnification may, however, be unenforceable as against public policy.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of May 6, 2010, for each of the following persons:

- each of our directors and each of the named executive officers in the "Management" section of this report;
- all directors and named executive officers as a group; and
- each person who is known by us to own beneficially five percent or more of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC. Unless otherwise indicated in the table, the persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite the shareholder's name. Unless otherwise indicated, the address of each beneficial owner listed below is c/o Dalian Precious Sheen Investments Consulting Co., Ltd., No. 9, Xin Yi Street, Ganjingzi District, Dalian City, Liaoning Province, PRC 116039. The percentage of class beneficially owned set forth below is based on 21,136,392 shares of our common stock outstanding on May 6, 2010.

	Common Stock Beneficially Owned	
Named executive officers and directors:	Number of shares beneficially owned	Percentage of class beneficially owned
Shi Huashan	14,688,948(1)	69.5%
Ma Fengqin	0	0%
Wang Shuying	0	0%
Wenbing Christopher Wang	0	0%
Joseph Levinson	0	0%
All directors and executive officers as a group (5 persons)	14,688,948	69.5%
5% Shareholders:		
Shine Gold Holdings Limited	10,690,668(1)	50.6%

Shiny Snow Holdings Limited	1,948,890(1)	9.2%
Smart Beat Limited	2,049,390(1)	9.7%
Barry Kitt	2,045,454(2)	9.7%

(1) Shine Gold Holdings Limited, Shiny Snow Holding Limited, and Smart Beat Limited, are each companies organized under the laws of the British Virgin Islands (collectively, the “Shi Family Companies”). The registered address for the Shi Family Companies is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. Mr. Shi Huashan and certain of his relatives (the “Shi Family”) have entered into trust agreements with three non-PRC individuals, under which the non-PRC individuals shall hold the shares of the Shi Family Companies as trustees for the benefit of the Shi Family. The natural persons with voting power and investment power on behalf of the Shi Family Companies are (i) Chong Shun, (ii) Kuo Ching Wan Amy, and (iii) Wey Meirong, respectively (collectively, the “Trustees”). As beneficiaries of the trust arrangements, members of the Shi Family have only economic rights with respect to the shares held by the Shi Family Companies. Mr. Shi Huashan and the Shi Family hereby disclaim beneficial ownership except to the extent of their pecuniary interest in the Company shares held by the Shi Family Companies.

(2) Barry Kitt exercises investment discretion and control over the shares of common stock of the Company held by The Pinnacle Fund, L.P., a Texas limited partnership ("Pinnacle") and Pinnacle China Fund, L.P., a Texas limited partnership ("Pinnacle China"). Pinnacle Advisers, L.P. ("Advisers") is the general partner of Pinnacle. Pinnacle Fund Management, LLC ("Management") is the general partner of Advisers. Mr. Kitt is the sole member of Management. Pinnacle China Advisers, L.P. ("China Advisers") is the general partner of Pinnacle China. Pinnacle China Management, LLC ("China Management") is the general partner of China Advisers. Kitt China Management, LLC ("China Manager") is the manager of China Management. Mr. Kitt is the manager of China Manager. As disclosed in the Schedule 13G filed on January 7, 2008, Pinnacle and Pinnacle China were the beneficial owners of 2,045,454 shares of Common Stock. Mr. Kitt may be deemed to be the beneficial owner of the shares of Common Stock beneficially owned by Pinnacle and Pinnacle China. Mr. Kitt expressly disclaims beneficial ownership of all shares of Common Stock beneficially owned by Pinnacle and Pinnacle China.

Equity Compensation Plan Information

We have not adopted any equity compensation plan as of December 31, 2009.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transactions of Chuming

Our current Chief Executive Officer, Mr. Shi Huashan, is also the Chief Executive Officer and a controlling beneficial shareholder of our former parent company, Dalian Chuming Group Co., Ltd. Mr. Shi devotes the majority of his time and effort to his role as our Chief Executive Officer under our employment agreement with him. A description of the executive employment agreements we have with our executives, including the employment agreement between Mr. Shi and the Company, under the heading "Employment Agreements" earlier in this report. However, some portion of his time is spent on the business and affairs of Dalian Chuming Group Co., Ltd., and in his capacity as the principal executive officer, he presides over management and the day-to-day operations of Dalian Chuming Group Co., Ltd.

In the normal course of business, we conduct transactions with the following related parties, that are not consolidated into the Company or its subsidiaries: (1) Dalian Chuming Group Co., Ltd., also referred to this report as the "Group", and the Group's subsidiaries: (2) Dalian Chuming Industrial Development Co., Ltd., (3) Dalian Chuming Trading Co., Ltd, (4) Dalian Mingxing Livestock Product Co. Ltd., (5) Dalian Chuming Stockbreeding Combo Development Co., Ltd., (6) Dalian Chuming Fodder Co., Ltd., (7) Dalian Chuming Biological Technology Co., Ltd., and (8) Dalian Huayu Seafood Food Co., Ltd. The Company and the aforementioned related parties share common beneficial ownership. All related party transactions are conducted between Chuming WFOE and the Group. All transactions with related parties are generally performed at arm's length, and in 2008, all such transactions were conducted at arm's length.

Management believes that these transactions are material to our operations and results. For further details concerning the nature of these transactions, refer to footnote 5 in the Notes to Consolidated Financial Statements as at and for the years ended December 31, 2009 and 2008. Paragraph 2(c) of the Statement of Financial Accounting Standards No. 57 (SFAS 57) (FASB ASC 850) requires us to disclose in our financial statements the dollar amounts of each of the periods presented, as well as the effect of any change in the method of establishing the terms from that used in the preceding period, for our related-party transactions. Due to certain limitations in our historical records heading up to the end of fiscal 2007, the present capacity of our accounting staff, and the fact that our historical records relating to these related party transactions are manually-based, we have presented these related party transactions according to their general category and current balance, and each such balance may represent a series of prior transactions culminating in such balance. The Company and management acknowledge our responsibility to comply with the requirements of (FASB ASC 850), and fully intend to take all necessary steps to update our accounting systems and

procedures in order to achieve such compliance on an ongoing basis. Specifically, we intend to update our systems and methods of tracking related party transactions, by adding appropriate accounting staff to enhance our capabilities, and put in place procedures to track and record all relevant aspects of our related party transactions as necessary to comply with the requirements of (FASB ASC 850) and the SEC disclosure rules.

The Company believes that its related-party transactions with the Group, as a whole, have a significant bearing on our financial results. As of December 31, 2009, approximately 45% of our supply of live hogs was acquired from the Group. Accordingly, our cost of sales is significantly correlated with our hog purchasing arrangement with the Group. The hogs that were purchased from the Group comprised . 41%, 49% and 52% of our total cost of sales for the years 2009, 2008 and 2007, respectively. The remainder of our supply of hogs was purchased by us directly from breeders, whom we provide training and technical advice to help ensure quality.

Due to the non-exclusive roles of Mr. Shi as our CEO and the principal executive officer of the Group, with whom we conduct business from time to time, potential conflicts of interest may arise. In particular, situations might arise in which we transact business with the Group, and certain terms of agreements might be favorable to us, but conversely unfavorable to the Group, and vice versa. In order to effectively handle such conflict of interest scenarios, our management intends to submit all related party transactions to our independent board of directors, or appropriate committee of the board, for review and approval.

The "Chuming" trademark and rights to the "Huayu" trademark application in the PRC are owned by Dalian Chuming Industry Development Co., Ltd., a subsidiary of the Group. We have been granted a perpetual fully paid up license to use both of these trademarks in connection with our business, under two trademark agreements with Dalian Chuming Industry Development Co., Ltd.

On December 17, 2007, we entered into a Long-Term Hog Procurement Agreement with the Group, our former parent. This agreement specifies that the Group should supply no less than 800,000 live hogs in 2009 and 800,000 in 2010, and the price for the hogs is at the fair market price at the time of acquisition.

In 2004, we obtained a loan of $20,466,901 (RMB 160,000,000) from the Group, 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. The 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 us. The loan carries a fixed interest of 5.76% per annum. We pledged both land use rights and buildings to the Bond Issuer. We pursued a loan from the Group as the financing solution of choice because our tangible assets, at the time of origination, were insufficient to collateralize the loan. Additionally, we at that time lacked the favorable credit history to directly establish credit facility with the bank.

At December 31, 2007, we repaid the debt in its entirety to the Group by setting off receivables owed by the Group to us. We repaid the loan in order to meet the requirements of the equity financing transaction detailed in Note 18 of our financial statements included in this report. The balances are now owed by the Group 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, our assets, namely the buildings and land use rights are at risk if the Group were to default on this loan.

At December 31, 2009, the Company had the following short term loans outstanding:

Bank	Interest Rate	Due Date	Amount
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	5.841%	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.

Related Party Transactions Prior to Change in Control

Set forth below are the related party transactions that took place since January 1, 2007, but prior to our change in control on December 31, 2007, between our shareholders, officers and/or directors, and us.

A shareholder, Jenson Services, paid $3,193 of the Company's operating expenses during the three months ended March 31, 2007 resulting in total accrued "loans from stockholders" of $25,871. The total $25,871 has been paid by

Jenson Services and was payable to Jenson Services as of March 31, 2007.

On May 3, 2007, Energroup, along with its then-current directors and executive officers, entered into a stock purchase agreement with Halter Financial Investments, L.P., a Texas limited partnership ("HFI"), pursuant to which Energroup agreed to sell to HFI 11,200,000 pre-reverse split shares (approximately 1,600,000 post-reverse split shares) of unregistered, restricted common stock for $350,000 cash. This transaction closed on May 22, 2007. In conjunction with this stock purchase agreement, on May 3, 2007, certain of Energroup's then-principal shareholders, as a condition of the closing of the stock purchase agreement surrendered and cancelled 1,350,000 then-issued and outstanding shares of Energroup common stock. These shares were surrendered as follows: Jenson Services, Inc., which then owned 2,480,500 pre-reverse split shares (approximately 354,290 post-reverse split shares) (or approximately 68% of our then-outstanding voting securities) delivered 375,000 of its pre-reverse split shares (approximately 53,572 post-reverse split shares) for cancellation; James P. Doolin, which then owned 475,000 pre-reverse split shares (approximately 67,858 post-reverse split shares) (or approximately 13% of our then-outstanding voting securities) delivered 475,000 pre-reverse split shares (approximately 67,858 post-reverse split shares) for cancellation; and his sister, Alycia Anthony, which then owned 500,000 pre-reverse split shares (approximately 71,429 post-reverse split shares (or approximately 14% of our then-outstanding voting securities) delivered 500,000 pre-reverse split shares (approximately 71,429 post-reverse split shares) for cancellation. All of these cancelled shares were returned to the status of authorized and unissued shares of Energroup. No consideration was given by Energroup in the cancellation of these shares. The effect of the share cancellations was to reduce the carrying par value of shares surrendered and a corresponding increase to additional paid-in capital.

Under the terms of the stock purchase agreement, on May 3, 2007, the board of directors of Energroup at the time declared a special cash distribution of $0.1219 per share to shareholders of record as of May 17, 2007, the record date for the special cash distribution. Neither HFI nor the shares surrendered by Jenson Services or James P. Doolin or Alycia Anthony participated in the special cash distribution. The special cash distribution was paid on May 29, 2007, to shareholders of record on the record date, subject to the closing of the stock purchase agreement. The special cash distribution was paid to the holders of an aggregate 2,297,421 pre-reverse split shares of Energroup's common stock, after giving effect to the cancellation of 1,350,000 pre-reverse split shares discussed above, which resulted in a total cash distribution of approximately $280,000. The special cash distribution was a condition of the closing of the stock purchase agreement.

As at the date of this prospectus, we do not have any policies in place with respect to whether we will enter into agreements with related parties in the future or for the review, approval or ratification of such related party transactions.

DESCRIPTION OF SECURITIES

The following information describes our capital stock and provisions of our articles of incorporation and our bylaws, all as in effect upon the closing of the share exchange transaction. This description is only a summary. You should also refer to our articles of incorporation, bylaws and articles of amendment which have been incorporated by reference or filed with the SEC as exhibits to the registration statement on Form S-1 of which this prospectus forms a part.

General

As of May 6, 2010 we have 31,739,130 shares authorized of which 21,739,130 are shares of common stock, par value $0.001 and 10,000,000 are shares of preferred stock, par value $0.001. There are 21,136,392 shares of common stock issued and outstanding and -0- shares of preferred stock issued and outstanding.

Common Stock

Holders of common stock are entitled to one vote for each share on all matters submitted to a shareholder vote. Holders of common stock do not have cumulative voting rights. Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of common stock are entitled to share in all dividends that the board of directors, in its discretion, declares from legally available funds. In the event of our liquidation, dissolution or winding up, subject to preferences that may be applicable to any then-outstanding preferred stock, each outstanding share entitles its holder to participate in all assets that remain after payment of liabilities and after providing for each class of stock, if any, having preference over the common stock.

Holders of common stock have no conversion, preemptive or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights of the holders of common stock are subject to any rights that may be fixed for holders of preferred stock, when and if any preferred stock is authorized and issued. All outstanding shares of common stock are duly authorized, validly issued, fully paid and non-assessable.

Preferred Stock

Our board of directors, without further shareholder approval, may issue preferred stock in one or more classes or series as the board may determine from time to time. Each such class or series shall be distinctly designated. All shares of any one class or series of the preferred stock shall be alike in every particular, except that there may be different dates from which dividends thereon, if any, shall be cumulative, if made cumulative. The voting powers,

designations, preferences, limitations, restrictions and relative rights thereof, if any, may differ from those of any and all other series outstanding at any time. Our board of directors has express authority to fix (by resolutions adopted prior to the issuance of any shares of each particular class or series of preferred stock) the number of shares, voting powers, designations, preferences, limitations, restrictions and relative rights of each such class or series. The rights granted to the holders of any series of preferred stock could adversely affect the voting power of the holders of common stock and issuance of preferred stock may delay, defer or prevent a change in our control.

Registration Rights

We have agreed to undertake to file this prospectus and related registration statement to register the common stock issued to the investors in the Financing. We were obligated to have the Registration Statement of which this prospectus forms a part, declared effective by the Securities and Exchange Commission (the "SEC") no later than 135 days after the closing of the Financing, or be subject to the payment of liquidated damages payable in cash of 1% of the total Financing amount per month up to a maximum amount of 10% of the total Financing amount, or $1.7 million. We were unable to meet this deadline, and as a result we currently owe liquidated damages in the amount of $1.7million. Under the terms of the Settlement Agreement, the investors have agreed to waive the liquidated damages owing if we comply with new deadlines for the appointment of the new CFO, the independent directors and the effectiveness of the Registration Statement

Registration of these shares of common stock would result in the holders being able to trade these shares without restriction under the Securities Act once the applicable registration statement is declared effective. We will pay all registration expenses related to any registration. Non-registration penalties do not apply when the holder can sell all of the holder's shares pursuant to Rule 144 under the Securities Act.

Market Price of and Dividends on Common Equity and Related Shareholder Matters

Our common stock is not listed on any stock exchange. Our common stock is traded over-the-counter on the OTC Bulletin Board under the symbol "ENHD.OB". The following table sets forth the high and low bid information for our common stock for each quarter within our last two fiscal years and subsequent interim period, as reported by the OTC Bulletin Board. The bid prices reflect inter-dealer quotations, do not include retail markups, markdowns or commissions and do not necessarily reflect actual transactions.

	Low	High
2010		
Quarter ended March 31, 2010	$ 2.80	$ 4.20
Second Quarter (through May 6, 2010)	$ 3.50	$ 4.60
2009		
Quarter ended December 31, 2009	$ 2.00	$ 3.00
Quarter ended September 30, 2009	$ 2.00	$ 3.05
Quarter ended June 30, 2009	$ 0.51	$ 2.15
Quarter ended March 31, 2009	$ 0.40	$ 1.05
2008		
Quarter ended December 31, 2008	$ 0.25	$ 0.51
Quarter ended September 30, 2008	$ 0.25	$ 5.00
Quarter ended June 30, 2008	$ 5.00	$ 5.00
Quarter ended March 31, 2008	$ 5.00	$ 53.00

Holders

As of May 6, there were approximately 176 shareholders of record of our common stock.

Transfer Agent

Our transfer agent is Western States Transfer and Registrar, Inc., and its telephone number is (801) 523-1547. Our transfer agent's address is 1911 Ryan Park Avenune, Sandy, Utah 84092.

DIVIDENDS

On May 3, 2007, prior to the share exchange transaction with PSI and its shareholders, Energroup, along with its then-current directors and executive officers, entered into a stock purchase agreement with Halter Financial Investments, L.P., a Texas limited partnership (“HFI”), pursuant to which we agreed to sell to HFI 11,200,000 pre-reverse split shares (approximately 1,600,000 post-reverse split shares) of unregistered, restricted common stock for $350,000 cash. This transaction closed on May 22, 2007. In conjunction with this stock purchase agreement, on May 3, 2007, certain of our then-principal shareholders, as a condition of the closing of the stock purchase agreement surrendered and cancelled 1,350,000 then-issued and outstanding shares of our common stock. These shares were surrendered as follows: Jenson Services, Inc., which then owned 2,480,500 pre-reverse split shares (approximately 354,290 post-reverse split shares) (or approximately 68% of our then-outstanding voting securities) delivered 375,000 of its pre-reverse split shares (approximately 53,572 post-reverse split shares) for cancellation; James P. Doolin, which then owned 475,000 pre-reverse split shares (approximately 67,858 post-reverse split shares) (or approximately 13% of our then-outstanding voting securities) delivered 475,000 pre-reverse split shares (approximately 67,858 post-reverse split shares) for cancellation; and his sister, Alycia Anthony, which then owned 500,000 pre-reverse split shares (approximately 71,429 post-reverse split shares (or approximately 14% of our then-outstanding voting securities) delivered 500,000 pre-reverse split shares (approximately 71,429 post-reverse split shares) for cancellation. All of these cancelled shares were returned to the status of authorized and unissued shares. No consideration was given by us in the cancellation of these shares. The effect of the share cancellations was to reduce the carrying par value of shares surrendered and a corresponding increase to additional paid-in capital.

Under the terms of the stock purchase agreement, on May 3, 2007, the then-current board of directors of Energroup declared a special cash distribution of $0.1219 per share to its shareholders of record as of May 17, 2007, the record date for the special cash distribution. Neither HFI or the shares surrendered by Jenson Services or James P. Doolin or Alycia Anthony participated in the special cash distribution. The special cash distribution was paid on May 29, 2007, to shareholders of record on the record date, subject to the closing of the stock purchase agreement. The special cash distribution was paid to the holders of an aggregate 2,297,421 pre-reverse split shares of our common stock, after giving effect to the cancellation of 1,350,000 pre-reverse split shares discussed above, which resulted in a total cash distribution of approximately $280,000. The special cash distribution was a condition of the closing of the stock purchase agreement.

Except for the special cash distribution described above, we have never paid cash dividends on our common stock. Since the reverse take-over transaction on December 31, 2007, we have not declared or paid any dividends.

We intend to keep future earnings, if any, to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future. Our future payment of dividends will depend on our earnings, capital requirements, expansion plans, financial condition and other relevant factors that our board of directors may deem relevant. Our retained earnings deficit currently limits our ability to pay dividends. PRC regulations, which apply to Chuming WFOE, Meat Company, Food Company and Sales Company currently permit payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. The PRC government imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency.

LEGAL MATTERS

Richardson & Patel LLP has rendered an opinion regarding the legality of the issuance of the shares of common stock being registered in this prospectus.

EXPERTS

Our consolidated financial statements for each of the fiscal years ending December 31, 2009 and 2008, have been audited by our independent auditor, Samuel H. Wong & Co., LLP, certified public accountants registered with the Public Company Accounting Oversight Board. We have included our consolidated financial statements in this prospectus in reliance on the report of the above-named independent auditor, given upon their authority as experts in accounting and auditing.

DISCLOSURE OF COMMISSION POSITION OF INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Insofar as indemnification for liabilities arising under the Securities Act may be permitted for our directors, officers and controlling persons pursuant to the foregoing provisions or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ADDITIONAL INFORMATION

Energroup Holdings Corporation is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the " Exchange Act "). Reports filed with the SEC pursuant to the Exchange Act, including proxy statements, annual and quarterly reports, and other reports filed by the Company can be inspected and copied at the public

reference facilities maintained by the SEC at the Headquarters Office, 100 F. Street N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. You can request copies of these documents upon payment of a duplicating fee by writing to the SEC. The Company’s filings are also available on the SEC’s internet site (http://www.sec.gov).

Energroup Holdings Corporation

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Board of Directors and Stockholders
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

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

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

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

South San Francisco, California
May 9, 2010

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

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

	Notes		At 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

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

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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	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
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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
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(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
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(I) Land Use Rights

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

(J) Construction in Progress

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

(K) Accounting for Impairment of Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

(L) Customer Deposit

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

(M) Statutory Reserve

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

(N) Other Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

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Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2010 and December 31, 2009
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(O) Recognition of Revenue

Revenue from the sale of pork products, etc., is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

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

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

(P) Cost of Sales

The Company's cost of sales is comprised of raw materials, factory worker salaries and related benefits, machinery supplies, maintenance supplies, depreciation, utilities, inbound freight, purchasing and receiving costs, inspection and warehousing costs

(Q) Selling Expense

Selling expenses are comprised of outbound freight, salary for the sales force, client entertainment, commissions, depreciation, advertising, and travel and lodging expenses. Selling expense, in absolute dollars, and as a percentage of revenue, has decreased because of the coordinated effort with independent sales agents to gain higher return on marketing efforts. Refer to Note 2(O) for further details.

(R) General & Administrative

General and administrative costs include executive compensation, quality control, and general overhead such as the finance department, administrative staff, and depreciation and amortization expense.

(S) Shipping and handling

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

(T) Advertising Expense

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

(U) Retirement Benefits

Retirement benefits in the form of contributions under defined contribution retirement plans to the relevant authorities are charged to the statement of operations as incurred.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
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(V) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable reduction of income taxes for the year in which they are available. The Company has implemented Statement of Financial Accounting Standards (SFAS) No. 109 (FASB ASC 740), Accounting for Income Taxes. Income tax liabilities computed according to the United States and People's Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

(W) Economic and Political Risks

The Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

(X) Foreign Currency Translation

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

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

Exchange Rates	3/31/2010	12/31/2009
Period end RMB : US$ exchange rate	6.8361	6.8372
Average period RMB : US$ exchange rate	6.8360	6.8409

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US$ at the rates used in translation.

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Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of March 31, 2010 and December 31, 2009
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(Y) Earnings Per Share

The Company computes earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per share" (FASB ASC 260), and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., contingent shares, convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. The Company has adopted the new accounting policies and has determined that there is no material impact to the financial statements presented herein.

(Z) Recent Accounting Pronouncements

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

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

The Company has adopted and implemented the new accounting policy.

3. Restricted Cash

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

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

Energroup Holdings Corporation
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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

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

During the second quarter of the 2008 fiscal year, management revised the Company's credit policy. Based on management's review, the Company began extending more favorable credit terms to its top tier customers. Those customers that qualified as top tier were extended approximately 45 to 60 days of credit. As of March 31, 2010, the Company has not had any receivables that were unrecoverable.

Accounts receivable aging analysis at 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

The Company believes it has provided adequate provisions for doubtful accounts. In the past, the Company has not experienced any accounts that have become uncollectible. As a result of the Company's position in its industry and the type of products that it sells, which are considered consumer staples, it can exert significant influence and bargaining power on it customers, which includes, among others, the collection of outstanding accounts. If in the event that the Company's customers do not pay, they will be faced with the consequence that the Company will cease to supply its products to them, and that the Company can take legal action to recover losses.

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

Energroup Holdings Corporation
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5. Related Party Receivable and Payable

In the normal course of business which includes the purchases of hogs and other raw materials, sale of pork and pork products, the Company conducts transactions with the following related parties: Dalian Chuming Group Co., Ltd ("Group") and the Group subsidiaries, that are not consolidated into Energroup Holdings or Energroup's subsidiary, Dalian Chuming Precious Sheen Investments Consulting Co. Ltd. (Chuming): (1) Dalian Chuming Industrial Development Co., Ltd., ("Industrial Development Co.") (2) Dalian Chuming Trading Co., Ltd, ("Trading Co.") (3) Dalian Mingxing Livestock Product Co. Ltd., ("Mingxing") (4) Dalian Chuming Stockbreeding Combo Development Co., Ltd., ("Combo Development Co.") (5) Dalian Chuming Fodder Co., Ltd. ("Fodder Co."), and (6) Dalian Chuming Biological Technology Co., Ltd., ("Biological Co.") and (7) Dalian Huayu Seafood Food Co., Ltd. ("Huayu"). The Company and the aforementioned related parties share common beneficial ownership. All transactions with related parties are generally performed at arm's length.

In the event that the Company has both receivables from, and payables to the Group it will, in accordance with FIN 39 (FASB ASC 210-20), setoff the balances in order to arrive at a single balance that is either due from, or due to the Group. The Company's net payable balance of $2,675,626 at March 31, 2010 is shown in the following table.

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

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

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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

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A. The Food Company sold USD 5.5 million (RMB 37.71 million) cooked food to Huayu Company on credit.

B. Food Company prepaid USD 256 thousand (RMB 1.75 million) to Fodder Company in third quarter of 2009 for the purchase of raw materials.

C. Food Co. purchased material USD 183 thousand(RMB 1.25Million) 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.

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T. Fodder Co. paid USD 1.26 million (RMB 8.61 million) the fodder materials on behalf of Meat Company.

U. Sales Company collected USD 1.6 Million (RMB 10.9 million) bank loans on behalf of Mingxing Livestock Company.

V. Fodder Company bought USD 5.1 million (RMB 34.67 million) materials on behalf of Sales Company.

W. The outstanding payable balance of USD 10.5 million (RMB 71 million) due to the Group has been transferred to the books of Chuming.

The related party payable balance detailed above, and the related transactions that comprise that balance were integral and material to the Company's operations. The Company was reliant on transactions with the above related parties in order to conduct its business normally. The Company acknowledges that it has the responsibility to comply with paragraph c of SFAS 57 (FASB ASC 850) which calls for the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period. The Company's accounting system in the past was manual and accordingly is not able to, from a cost benefit perspective, summarize and provide further detail on the related party transactions. Also, the Company's current accounting department does not have sufficient staff in order to perform and exercise to further detail the related party payables and receivables beyond what has been provided above; however the Company is taking steps to update its accounting systems and methods to provide fuller detail regarding these transactions for future periods. The Company does represent that the balances disclosed above are both accurate and reliable within acceptable thresholds of materiality.

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

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6. Inventory

	At 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

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10. Bank Loans

(A) Short Term Bank Loans

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

Bank	Interest Rate	Due Date		At 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.

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At December 31, 2007, the Company repaid its debt, in its entirety to Dalian Chuming Group Co. Ltd by setting off receivables owed by the Group to the Company. The Company repaid the loan in order to meet the requirements of the equity financing transaction detailed in Note 19. The balances are now owed by Dalian Chuming Group Co. Ltd to the Banks, and liability for paying the bonding insurance annually lies with the Group. The pledged collateral of land use rights and buildings made to the Bond Issuer still underlie the loan currently owed by the Group, and as such, the Company's assets, namely the buildings and land use rights are at risk if the Group were to default on this loan.

11. Notes Payable

Notes payable consisted of the followings:-

Notes to	Due Date	At 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

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

12. Capitalization

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

Name of Shareholder	Number of 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%

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13. Commitments of Statutory Reserve

In compliance with PRC laws, the Company is required to appropriate a portion of its net income to its statutory reserve up to a maximum of 50% of an enterprise's registered capital in the PRC. The Company had future unfunded commitments, as provided below.

	At 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.

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

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

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

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

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

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

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

16. Commitments

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

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

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

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

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17. Operating Segments

The Company individually tracks the performance of its three operating subsidiaries Meat Company, Food Company, and Sales Company. Meat Company is primarily engaged in the slaughter and processing of pork livestock for wholesale and retail distribution. Food Company is primarily engaged in the production of pork-based food products, such as sausages and cured meats, for retail distribution. Sales Company is primarily engaged in the sale and distribution of products produced by Food Company and Meat Company.

Below is a presentation of the Company's results of operations and financial position for its operating subsidiaries at December 31, 2009 and 2008, and for the years then ended. The Company has also provided reconciling adjustments with the Company and its intermediate holding companies Dalian Chuming Precious Sheen Investments Consulting Ltd. ("Chuming WFOE") and Precious Sheen Investments Ltd (PSI).

Results of Operations 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

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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

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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

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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.

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20. Financing Transaction

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

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

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

Concurrently with the Exchange Agreement, Energroup also entered into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which Energroup agreed to issue and sell 3,863,636 shares of its common stock to ten accredited investors for an aggregate purchase price of $17,000,000 or $4.40 per share (the "Financing"). The closing of the Financing coincided with the Closing of the reverse take-over transaction.

In connection with the sales of securities to accredited investors under the securities purchase agreement, Hunter Wise Financial Group, LLC (the "Placement Agent"), was compensated with a commission of $1,190,000 which is equal to 7.00% of the aggregate purchase price and a warrant to purchase the 386,364 shares of the Company's common stock at an exercise price of $4.40 per share. At March 31, 2010, the Company had adequate authorized capital to issue common shares upon the exercise of the warrant.

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

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

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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.

Energroup Holdings Corporation

Audited Consolidated Financial Statements

December 31, 2009 and 2008

(Stated in US Dollars)

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Energroup Holdings Corporation

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Board of Directors and Stockholders
Energroup Holdings Corporation

Report of Registered Independent Public Accounting Firm

We have audited the accompanying consolidated balance sheets of Energroup Holdings Corporation as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Energroup Holdings Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

South San Francisco, California
January 26, 2010

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

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

	Notes		At December 31, 2009		At December 31, 2008
ASSETS					
Current Assets					
Cash	2(D)	$	41,984,101	$	5,695,798
Restricted Cash	3		2,176,224		2,177,091
Accounts Receivable	2(E),4		39,876,187		18,661,065
Other Receivable			591,025		2,162,412
Related Party Receivable	5		-		10,919,777
Inventory	2(F),6		3,683,989		6,051,109
Purchase Deposit	2(G)		844,964		1,453,861
Prepaid Expenses			30,103		62,734
Prepaid Taxes			231,567		334,413
Deferred Tax Asset	2(Q)		468,922		643,609
Total Current Assets			89,887,082		48,161,869
Non-Current Assets					
Property, Plant & Equipment, net	2(H),7		23,727,484		25,794,151
Land Use Rights, net	2(I),8		13,175,559		13,430,435
Construction in Progress	2(J)		6,692,837		3,262,146
Other Assets			-		34,807
Total Assets		$	133,482,962	$	90,683,408
LIABILITIES & STOCKHOLDERS' EQUITY					
Current Liabilities					
Bank Loans	9(A)	$	15,942,197	$	6,419,422
Notes Payable			7,312,935		-
Accounts Payable			3,272,626		7,695,208
Taxes Payable			6,987,848		2,341,971
Other Payable			2,096,958		2,318,142
Accrued Liabilities			1,922,105		1,724,266
Customer Deposit	2(L)		2,416,613		3,258,752
Related Party Payable	5		2,307,429		-
Total Current Liabilities			42,258,711		23,757,761
Long Term Liabilities					
Bank Loans	9(B)		-		-
Total Liabilities		$	42,258,711	$	23,757,761

See Notes to Financial Statements and Accountant's Report

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

Stockholders' Equity	Notes	At December 31, 2009	At December 31, 2008
Preferred Stock - $0.001 Par Value 10,000,000 Shares Authorized; 0 Shares Issued & Outstanding at December 31, 2009 and 2008.		$ -	$ -
Common Stock - $0.001 Par Value 21,739,130 Shares Authorized; 21,136,392 Shares Issued & Outstanding at December 31, 2009 and 2008.	10	21,137	21,137
Additional Paid in Capital		42,530,331	26,062,337
Statutory Reserve	2(M),11	2,077,488	2,077,488
Retained Earnings		41,329,899	35,275,457
Accumulated Other Comprehensive Income	2(N)	5,265,396	3,489,228
Total Stockholders' Equity		91,224,251	66,925,647
Total Liabilities & Stockholders' Equity		$ 133,482,962	$ 90,683,408

See Notes to Financial Statements and Accountant’s Report

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

	Note	For the year ended December 31, 2009	For the year ended December 31, 2008
Sales	2(O),22	$ 213,545,175	$ 176,360,013
Cost of Sales	2(P)	183,391,490	149,794,249
Gross Profit		30,153,685	26,565,764
Operating Expenses			
Selling Expenses	2(Q)	2,151,988	5,147,366
General & Administrative Expenses	2(R)	2,507,688	2,675,661
Total Operating Expense		4,659,676	7,823,027
Operating Income/(Loss)		25,494,009	18,742,737
Other Income (Expenses)			
Other Income		43,568	5,780
Other Expense		(91,943)	(100,183)
Interest Income		198,259	284,774
Interest Expense		(1,031,197)	(953,460)
Release of Escrowed Make Good Shares		(16,467,994)	(10,622,294)
Total Other Income and Expense		(17,349,307)	(11,385,383)
Earnings before Tax		8,144,702	7,357,354
(Income Tax Expense)/Deferred Tax Benefit	2(V),14	(2,090,260)	(520,089)
Net Income		$ 6,054,442	$ 6,837,265
Earnings Per Share	2(Y),16		
- Basic		$ 0.35	$ 0.40
- Diluted		$ 0.29	$ 0.32
Weighted Average Shares Outstanding			
- Basic		17,272,756	17,272,756
- Diluted		21,136,392	21,182,756

Comprehensive Income	For the year ended December 31, 2009	For the year ended December 31, 2008	Accumulated Totals
Net Income	$ 6,054,442	$ 6,837,265	$ 12,891,707
Other Comprehensive Income			
Foreign Currency Translation Adjustment	1,776,168	528,277	2,304,445
	$ 7,830,610	$ 7,365,542	$ 15,196,152

See Notes to Financial Statements and Accountant's Report

Energroup Holdings Corporation
Consolidated Statements of Changes in Stockholders' Equity
As of and for the years ended December 31, 2009 and 2008
(Stated in US Dollars)

	Common Shares Outstanding	Common Amount	Additional Paid in Capital	Statutory Reserve	Retained Earnings	Accumulated Comprehensive Other Income	
Balance at January 1, 2008	21,136,392	$ 21,137	$ 15,440,043	$ 751,444	$ 29,764,236	$ 2,960,951	$ 4
Release of Shares Placed in Escrow	-	-	10,622,294	-	-	-	1
Net Income	-	-	-	-	6,837,265	-	
Appropriations of Retained Earnings	-	-	-	1,326,044	(1,326,044)	-	
Foreign Currency Translation Adjustment	-	-	-	-	-	528,277	
Balance at December 31, 2008	21,136,392	$ 21,137	$ 26,062,337	$ 2,077,488	$ 35,275,457	$ 3,489,228	$ 6
Balance at January 1, 2009	21,136,392	$ 21,137	$ 26,062,337	$ 2,077,488	$ 35,275,457	$ 3,489,228	$ 6
Release of Shares Placed in Escrow	-	-	16,467,994	-	-	-	1
Net Income	-	-	-	-	6,054,442	-	
Appropriations of Retained Earnings	-	-	-	-	-	-	
Foreign Currency Translation Adjustment	-	-	-	-	-	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	$ 9

See Notes to Financial Statements and Accountant's Report

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

	For the year ended December 31, 2009	For the year ended December 31, 2008
Cash Flow from Operating Activities		
Cash Received from Customers	$ 203,979,080	$ 153,507,080
Cash Paid to Suppliers & Employees	(174,408,890)	(155,266,953)
Interest Received	198,259	284,774
Interest Paid (net of amount capitalized)	(831,509)	(1,763,404)
Income Tax Paid	3,541	-
Miscellaneous Receipts	43,567	5,780
Cash Sourced/(Used) in Operating Activities	28,984,048	(3,232,723)
Cash Flows from Investing Activities		
Escrowed Funds from Private Placement Placed in Restricted Cash	35,675	2,072,909
Payments for Purchases of Equipment & Construction of Plant	(3,702,716)	(5,832,731)
Payments for Purchases of Intangible Assets	(327,647)	-
Cash Sourced/(Used) in Investing Activities	(3,994,688)	(3,759,822)
Cash Flows from Financing Activities		
Proceeds from Bank Borrowings	16,437,196	9,264,246
Repayment of Bank Loans	(6,914,421)	(10,700,664)
Cash Sourced/(Used) in Financing Activities	9,522,775	(1,436,418)
Net Increase/(Decrease) in Cash & Cash Equivalents for the Year	34,512,135	(8,428,963)
Effect of Currency Translation	1,776,168	92,910
Cash & Cash Equivalents at Beginning of Year	5,695,798	14,031,851
Cash & Cash Equivalents at End of Year	$ 41,984,101	$ 5,695,798
Non-Cash Financing Activity:		
Release of shares held in escrow account	$ 16,467,994	$ 10,622,294

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 years ended December 31, 2009 and 2008
(Stated in US Dollars)

	For the year ended December 31, 2009	For the year ended December 31, 2008
Net Income	$ 6,054,442	$ 6,837,265
Adjustments to Reconcile Net Income to Net Cash Provided by Cash Activities:		
Non Cash Expense Recorded for the Release of Escrowed Shares	16,467,994	10,622,294
Amortization	582,523	331,468
Depreciation	2,338,691	2,540,797
Provision for Bad Debt	214,294	103,773
Decrease/(Increase) in Accounts Receivable	(21,429,416)	(18,142,404)
Decrease/(Increase) in Other Receivable	1,571,387	(1,093,473)
Decrease/(Increase) in Related Party Receivable	10,919,777	(6,955,420)
Decrease/(Increase) in Inventory	2,367,120	(3,135,093)
Decrease/(Increase) in Advance to Suppliers	608,898	(1,186,054)
Decrease/(Increase) in Prepaid Taxes	102,845	(149,096)
Decrease/(Increase) in Prepaid Expenses	32,631	(16,333)
Decrease/(Increase) in Deferred Tax Benefit	174,686	(29,764)
Increase/(Decrease) in Notes Payable	7,312,935	-
Increase/(Decrease) in Accounts Payable	(4,422,583)	3,915,934
Increase/(Decrease) in Taxes Payable	4,645,877	664,777
Increase/(Decrease) in Other Payable	(221,184)	846,762
Increase/(Decrease) in Related Party Payable	2,307,429	-
Increase/(Decrease) in Accrued Liabilities	197,839	(1,622,747)
Increase/(Decrease) in Customer Advances	(842,137)	3,234,591
Total of all adjustments	22,929,606	(10,069,988)
Net Cash Provided by/(Used in) Operating Activities	$ 28,984,048	$ (3,232,723)

See Notes to Financial Statements and Accountant’s Report

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

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 and for the years ended December 31, 2009 and 2008

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 December 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 (FASB ASC 810 Consolidation).

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

(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 and for the years ended December 31, 2009 and 2008

(I) Land Use Rights

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

(J) Construction in Progress

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

(K) Accounting for Impairment of Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment, when events or changes in circumstances occur that indicate the carrying value of the asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset from the expected future cash flows, undiscounted and without interest charges, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to estimate future cash flows and the fair value of long-lived assets.

(L) Customer Deposit

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

(M) Statutory Reserve

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

(N) Other Comprehensive Income

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

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(O) Recognition of Revenue

Revenue from the sale of pork products, etc., is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

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

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

(P) Cost of Sales

The Company's cost of sales is comprised of raw materials, factory worker salaries and related benefits, machinery supplies, maintenance supplies, depreciation, utilities, inbound freight, purchasing and receiving costs, inspection and warehousing costs

(Q) Selling Expense

Selling expenses are comprised of outbound freight, salary for the sales force, client entertainment, commissions, depreciation, advertising, and travel and lodging expenses. Selling expense, in absolute dollars, and as a percentage of revenue, has decreased because of the coordinated effort with independent sales agents to gain higher return on marketing efforts. Refer to Note 2(O) for further details.

(R) General & Administrative

General and administrative costs include executive compensation, quality control, and general overhead such as the finance department, administrative staff, and depreciation and amortization expense.

(S) Shipping and handling

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

(T) Advertising Expense

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

(U) Retirement Benefits

Retirement benefits in the form of contributions under defined contribution retirement plans to the relevant authorities are charged to the statement of operations as incurred.

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(V) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable reduction of income taxes for the year in which they are available. The Company has implemented Statement of Financial Accounting Standards (SFAS) No. 109 (FASB ASC 740), Accounting for Income Taxes. Income tax liabilities computed according to the United States and People's Republic of China (PRC) tax laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

(W) Economic and Political Risks

The Company's operations are conducted in the PRC. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

(X) Foreign Currency Translation

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

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

Exchange Rates	12/31/2009	12/31/2008
Period end RMB : US$ exchange rate	6.8372	6.8542
Average period RMB : US$ exchange rate	6.8409	6.9623

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US$ at the rates used in translation.

(Y) Earnings Per Share

The Company computes earnings per share (“EPS”) in accordance with Statement of Financial Accounting Standards No. 128, “Earnings per share” (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.

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(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.

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.

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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 entire amount of $2,176,224 held in escrow as restricted as of December 31, 2009 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 December 31, 2009.

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4. Accounts Receivable

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

	At December 31, 2009	At December 31, 2008
Accounts Receivable – Trade	$ 40,278,976	$ 18,849,560
Less: Allowance for Doubtful Accounts	(402,789)	(188,495)
Net Accounts Receivable	$ 39,876,187	$ 18,661,065

Allowance for Bad Debts	At December 31, 2009	At December 31, 2008
Beginning Balance	$ (188,495)	$ (84,723)
Allowance Provided	(214,294)	(103,772)
Charged Against Allowance	-	-
Ending Balance	$ (402,789)	$ (188,495)

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 December 31, 2009, the Company has not had any receivables that were unrecoverable.

Accounts receivable aging analysis at December 31: -

	At December 31, 2009	At December 31, 2008
1-30 Days	$ 17,757,223	$ 10,478,579
30-60 Days	12,643,466	1,627,515
61-90 Days	5,004,370	168,045
91-120 Days	4,833,711	6,575,420
121-365 Days	40,206	-
Over 365 Days	-	-
Total	$ 40,278,976	$ 18,849,560

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5. Related Party Receivable and Payable

In the normal course of business which includes the purchases of hogs and other raw materials, sale of pork and pork products, the Company conducts transactions with the following related parties: Dalian Chuming Group Co., Ltd ("Group") and the Group subsidiaries, that are not consolidated into Energroup Holdings or Energroup's subsidiary, Dalian Chuming Precious Sheen Investments Consulting Co. Ltd. (Chuming): (1) Dalian Chuming Industrial Development Co., Ltd., ("Industrial Development Co.") (2) Dalian Chuming Trading Co., Ltd, ("Trading Co.") (3) Dalian Mingxing Livestock Product Co. Ltd., ("Mingxing") (4) Dalian Chuming Stockbreeding Combo Development Co., Ltd., ("Combo Development Co.") (5) Dalian Chuming Fodder Co., Ltd. ("Fodder Co."), and (6) Dalian Chuming Biological Technology Co., Ltd., ("Biological Co.") and (7) Dalian Huayu Seafood Food Co., Ltd. ("Huayu"). The Company and the aforementioned related parties share common beneficial ownership. All transactions with related parties are generally performed at arm's length.

In the event that the Company has both receivables from, and payables to the Group it will, in accordance with FIN 39 (FASB ASC 210-20), setoff the balances in order to arrive at a single balance that is either due from, or due to the Group. The Company's net payable balance of $2,307,429 at December 31, 2009 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.	$	235,278	Food Co. sold cooked food to Huayu dating back to 1/2007.
		Subtotal of Related Party Sales			235,278	
B	Food	Loan Receivable from	Dalian Fodder Co., Ltd.		15,346	Food Co. advanced prepayment to Fodder Co. for purchase of raw materials dating back to 7/2009
C	Food	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.		21,959,383	Food Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 1/2008
D	Food	Loan Receivable from	Dalian Chuming Group Co., Ltd.		785,296	Food Co. paid bank loan principal and interest on behalf of Group dating back to 9/2009
E	Meat	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.		28,579,916	Meat Co. paid bank loan principal and interest on behalf of Industrial Co. dating back to 4/2009
F	Meat	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.		188,553	Meat Co. paid raw materials and utility fees for Fodder Co. dating back to 7/2008.
G	Meat				2,698,825	

		Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.			Prepayment to Stockbreeding Combo for Purchase of hogs dating back to 7/2008.
H	Meat	Loan Receivable from	Dalian Chuming Group Co., Ltd.		20,316,353	Meat Co. paid bank loan principal and interest on behalf of Group dating back to 10/2009
I	Sales	Loan Receivable from	Dalian Huayu Seafood Co., Ltd.		2,715,858	Sales Co. help Huayu purchase materials dating back to 9/2008.
J	Sales	Loan Receivable from	Dalian Chuming Group Co., Ltd.		4,910,256	Sales Co. purchased hogs and paid general and administrative expenses on behalf of Group dating back to 7/2008.
K	Sales	Loan Receivable from	Dalian Chuming Stockbreeding Combo Development Co., Ltd.		15,924,446	Sales Co. paid for Stockbreeding to buy hogs from farmer dating back 7/2008
L	Sales	Loan Receivable from	Dalian Chuming Industrial Development Co., Ltd.		5,594,080	Sales Co. purchased materials for Industrial Co. dating back to 7/2009
M	Sales	Loan Receivable from	Dalian Chuming Fodder Co., Ltd.		2,007,855	Sales Co. purchased feeding materials for Fodder Co. dating back to 5/2009
		Subtotal loans to related parties			105,696,167	
		Gross related party receivables		$	105,931,445	

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Ref.	Subsidiary Due from:	Nature of Balance	Related Party		Balance	Description of Transaction
N	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Stockbreeding Combo Development Co., Ltd.	$	7,763,151	Meat Co. purchased of hogs from Stockbreeding Combo Development Co. dating back to 7/2009
O	Meat	Purchase of Raw Materials resulting in Trade Payable to	Dalian Chuming Group Co., Ltd.		69,975,745	Purchase of hogs from Group dating back to 7/2008.
		Subtotal of Purchases from Related Parties			77,738,896	
P	Food	Loan Payable to	Dalian Chuming Group Co., Ltd.		583	Food borrowed from Group to purchase materials dating back to 4/2009.
Q	Food	Loan Payable to	Dalian Chuming Stockbreeding Combo Development Co., Ltd.		2,047,622	Stockbreeding Combo Development Co. bought raw materials for Food Co. dating back to 4/2009
R	Food	Loan Payable to	Dalian Mingxing Livestock Product Co., Ltd.		52,022	Food Co. borrowed funds from Mingxing for operations purpose dating back to 12/2008
S	Food	Loan Payable to	Dalian Huayu Seafood Co., Ltd.		2,909,148	Food Company collected customer deposits on behalf of Huayu Co. dating back to 7/2009
T	Meat	Loan Payable to	Dalian Chuming Group Co., Ltd.		7,312,935	Group loaned to Meat Co. dating back to 4/2009
U	Meat	Loan Payable to	Dalian Huayu Seafood Co., Ltd.		2,950,503	Huayu Co. loaned to Meat Co. dating back to 7/2009
V	Meat	Loan Payable to	Dalian Mingxing Livestock Product Co., Ltd.		610,618	Mingxing Co. paid the operation expense on behalf of Meat Co., dating back to 7/2009
W	Sales	Loan Payable to	Dalian Mingxing Livestock Product Co. Ltd.,		842,176	Sales Co. collected bank loans on behalf of Mingxing dating back to 8/2008
X	Sales	Loan Payable to			3,259,502	

		Dalian Chuming Fodder Co., Ltd.			Fodder Co. bought materials on behalf of Sales Co. dating back to 4/2009
Y WFOE	Loan Payable to	Dalian Chuming Group Co.		10,514,870	Group loaned funds to WFOE (includes funds transferred from Meat for US RTO.)
	Subtotal of Loans from Related Parties			30,499,978	
	Gross Related Party Payable			108,238,874	
	Setoff Related Party Payable (Payables have been set-off against receivables)		$	2,307,429	

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A. The Food Company sold USD 235 thousand (RMB 1.6 million) cooked food to Mingxing Company on credit.

B. Food Company prepaid USD 15 thousand (RMB 104 thousand) to Fodder Company in third quarter of 2009 for the purchase of raw materials.

C. Food Company paid USD 21.96 million (RMB 150 million) bank loan principal and interest on behalf of Industrial Development Company.

D. Food Company paid USD 785 thousand (RMB 5.4 million) bank loan principal and interest on behalf of Chuming Group.

E. Meat Co. paid USD 28.6 million (RMB 195.4 million) bank loan principal and interest on behalf Industrial Development Company.

F. Meat Co. paid USD 189 thousand (RMB 1.3 million) raw materials and utility fees for Fodder Company.

G. The prepayment of USD 2.7 million (RMB 18.4 million) from Meat Company to the Stockbreeding Combo Development Company was for the purchase of hogs.

H. Meat Company paid USD 20.3 million (RMB 138.9 million) bank loan principal and interest on behalf of Group.

I. Sales Company bought USD 2.7 million (RMB 18.6 million) raw materials for Huayu Seafood Company.

J. The balance of USD 4.9 million (RMB 33.6 million) receivable from Chuming Group to Sales Company was for the payments of hogs and operation expense.

K. Sales Company help the Combo Development Company to pay USD 15.9 million (RMB 109 million) to local farmers for the purchase of hogs.

L. Sales Company purchased USD 5.6 million (RMB 38 million) materials for Industrial Development Company.

M. The receivable of USD 2 million (RMB 13.7 million) due from Fodder Company to Sales Company is primary for the purchase of feeding materials.

N. The balance of USD 7.8 million (RMB 53 million) payment owed by the Meat Company to Chuming Stockbreeding Combo Development Company was for the purchase of hogs.

O. The Group sold hogs to Meat Co. for 70 million (RMB 478 million).

P. Chuming Group purchased USD 583 (RMB 4 thousand) materials for Food Company

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Q. Stockbreeding Combo Development Company purchased USD 2 million (RMB 14 million) for Food Company.

R. Mingxing Livestock Company paid USD 52 thousand (RMB 356 thousand) daily operation expenses on behalf of Food Company.

S. Food Company collected USD 2.9 million (RMB 19.9 million) customer deposits on behalf of Huayu Seafood Company.

T. Meat Company borrowed USD 7.3 million (RMB 50 million) operation funds from Chuming Group.

U. Meat Company borrowed USD 2.9 million (RMB 20 million) operation funds from Huayu Seafood Company.

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

W. Sales Company collected USD 842 thousand (RMB 5.8 million) bank loans on behalf of Mingxing Livestock Company.

X. Fodder Company bought USD 3.3 million (RMB 22.3 million) materials on behalf of Sales Company.

Y. The outstanding payable balance of USD 10.5 million (RMB 70 million) due to the Group has been transferred to the books of Chuming.

The related party payable balance detailed above, and the related transactions that comprise that balance were integral and material to the Company's operations. The Company was reliant on transactions with the above related parties in order to conduct its business normally. The Company acknowledges that it has the responsibility to comply with paragraph c of SFAS 57 (FASB ASC 850) which calls for the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period. The Company's accounting system in the past was manual and accordingly is not able to, from a cost benefit perspective, summarize and provide further detail on the related party transactions. Also, the Company's current accounting department does not have sufficient staff in order to perform and exercise to further detail the related party payables and receivables beyond what has been provided above; however the Company is taking steps to update its accounting systems and methods to provide fuller detail regarding these transactions for future periods. The Company does represent that the balances disclosed above are both accurate and reliable within acceptable thresholds of materiality.

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

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6. Inventory

	At December 31, 2009	At December 31, 2008
Raw Materials	$ 1,479,197	$ 867,549
Work in Progress	95,051	241,738
Finished Goods	2,109,741	4,941,822
	$ 3,683,989	$ 6,051,109

7. Property, Plant & Equipment

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

At December 31, 2008:	Cost	Accumulated Depreciation	Net
Buildings	$ 21,604,325	$ (3,607,219)	$ 17,997,105
Manufacturing Equipment	10,061,608	(3,132,725)	6,928,883
Office Equipment	195,577	(150,670)	44,907
Vehicles	913,816	(477,265)	436,551
Furniture & Fixture	524,020	(137,317)	386,704
	$ 33,299,346	$ (7,505,196)	$ 25,794,151

8. Land Use Right

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

	At December 31, 2009	At December 31, 2008
Land Use Rights, at Cost	$ 14,735,150	$ 14,407,503
Less: Accumulated Amortization	(1,559,591)	(977,068)
	$ 13,175,559	$ 13,430,435

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9. Bank Loans

(A) Short Term Bank Loans

At December 31 2009 and 2008, the Company had the following short-term loans outstanding:

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	5.841%	10/22/2010		2,193,881
			$	15,942,197

Bank	Interest Rate	Due Date		At December 31, 2008
Bank of China - Liaoning Branch	6.1586%	10/26/2009	$	4,376,878
Bank of China - Liaoning Branch	7.3260%	10/17/2009		2,042,543
			$	6,419,422

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.

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.

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10. Notes Payable

Notes payable consisted of the followings as of December 31, 2009.

Notes to	Due Date		Amount
Shanghai Pudong Development Bank - Liaoning Branch	5/18/2010	$	7,312,935
		$	7,312,935

11. 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%

12. 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 December 31, 2009		At December 31, 2008
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

13. Advertising Costs

Advertising expenses were $638,904 and $2,629,853 for the years ended December 31, 2009 and 2008, respectively.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

14. 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.

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 years December 31, 2009 and 2008.

Dalian Chuming Processed Foods Co. Ltd has provided for income taxes in years 2009 and 2008 in the amounts of $1,914,069 and $508,844, respectively.

Dalian Chuming Sales Co. Ltd. has not provided for income taxes in years 2009 and 2008 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 expeneses were as follows: -

i.	2009	Tax expense	(2,090,260)
ii.	2008	Tax expense	(520,089)

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

15. 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 December 31, 2009 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 December 31, 2009, the Company expects minimum quantities of hogs detailed in the following table:

Year	Hogs	Price Per Hog	Amount
2010	800,000	$ 205.84	164,674,737

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.

16. 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 year ended December 31, 2009	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Sales	$ 199,433,432	$ 33,238,046	$ 30,122,999	$ (49,249,302)	$ 213,545,175
Cost of Sales	176,364,424	24,571,961	31,704,407	(49,249,302)	183,391,490
Gross Profit	23,069,008	8,666,085	(1,581,408)	-	30,153,685
Operating (Loss)/Profit	21,642,004	7,802,315	(3,645,402)	(304,908)	25,494,009
Other Income (Expense)	(706,939)	(146,038)	(30,474)	(16,465,856)	(17,349,307)
Earnings before Tax	20,935,065	7,656,277	(3,675,876)	(16,770,764)	8,144,702
(Income Tax Expense)	-	(1,914,069)	(176,191)	-	(2,090,260)
Extraordinary Expense	-	-	-	-	-

Net Income	$ 20,935,065	$ 5,742,208	$ (3,852,067)	$ (16,770,764)	$ 6,054,442

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

Eliminated Intercompany Sales of Products Sold during
Year ended December 31, 2009

Sold From:	Sold To:	Amount
Food Company	Sales Company	$ 7,859,308
Meat Company	Sales Company	22,164,630
Meat Company	Food Company	19,225,364
		$ 49,249,302

Results of Operations For the year ended December 31, 2008	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Sales	$ 165,540,800	$ 20,275,953	$ 82,629,122	$ (92,085,862)	$ 176,360,013
Cost of Sales	143,467,927	17,018,115	81,394,069	(92,085,862)	149,794,249
Gross Profit	22,072,873	3,257,838	1,235,053	-	26,565,764
Operating (Loss)/Profit	19,835,123	2,038,279	(2,475,995)	(654,670)	18,742,737
Other Income (Expense)	(684,408)	(95,144)	(6,952)	(10,598,879)	(11,385,383)
Earnings before Tax	19,150,715	1,943,135	(2,482,947)	(11,253,549)	7,357,354
(Income Tax Expense)	-	(508,843)	(11,246)	-	(520,089)
Extraordinary Expense	-	-	-	-	-
Net Income	19,150,715	1,434,292	(2,494,193)	(11,253,549)	6,837,265

Eliminated Intercompany Sales of Products Sold during
Year ended December 31, 2008

Sold From:	Sold To:	Amount
Food Company	Sales Company	$ 15,614,380
Meat Company	Sales Company	66,171,117
Meat Company	Food Company	10,300,365
		$ 92,085,862

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

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

Financial Position At December 31, 2008	Meat Company	Food Company	Sales Company	WFOE, PSI, & Eliminations	Total
Current Assets	74,713,236	21,126,826	41,826,291	(89,504,485)	48,161,869
Non Current Assets	22,624,643	19,570,329	325,480	1,088	42,521,539
Total Assets	$ 97,337,879	$ 40,697,155	$ 42,151,771	$ (89,503,397)	$ 90,683,408
Current Liabilities	42,293,135	34,796,536	45,747,947	(99,079,857)	23,757,761
Total Liabilities	42,293,135	34,796,536	45,747,947	(99,079,857)	23,757,761
Net Assets	55,044,744	5,900,619	(3,596,176)	9,576,460	66,925,647
Total Liabilities & Net Assets	$ 97,337,879	$ 40,697,155	$ 42,151,771	$ (89,503,397)	$ 90,683,408

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
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17. Earnings Per Share

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

	For the year ended December 31, 2009	For the year ended December 31, 2008
Net Income (A)	$ 6,054,442	$ 6,837,265
Basic Weighted Average Shares Outstanding (B)	17,272,756	17,272,756
Dilutive Shares:		
- Addition to Common Stock from Exercise of Placement Warrants	-	46,364
- Addition to Common Stock from Contingent Shares Held in Escrow (Please refer to Note 19)	3,863,636	3,863,636
Diluted Weighted Average Shares Outstanding: (C)	21,136,392	21,182,756
Earnings Per Share:		
- Basic (A)/(B)	$ 0.35	$ 0.40
- Diluted (A)/(C)	$ 0.29	$ 0.32
Weighted Average Shares Outstanding:		
- Basic	17,272,756	17,272,756
- Diluted	21,136,392	21,182,756

18. 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 and for the years ended December 31, 2009 and 2008

19. 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 December 31, 2009, the Company had adequate authorized capital to issue common shares upon the exercise of the warrant.

At December 31, 2009, 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
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Concurrent with the Company's financing transaction, the Company agreed to register for resale the common shares that were sold under the securities purchase agreement. Pursuant to filing a Form S-1 registration statement with the U.S. Securities and Exchange Commission, the Company entered into a Registration Rights Agreement with the Investors. The agreement calls for liquidated damages to be paid by the Company, if in the event the registration statement is not declared effective within 135 days of the closing of the financing transaction. The liquidated damages will be 1% of the total financing amount in cash per month for each month after the 135 period. The agreement states a maximum penalty of $1.70 million or 10% of the financing amount. At December 31, 2007, the Company accounted for the liability under the registration rights agreement in accordance with FASB Staff Position No. EITF 00-19-2, Accounting for Registration Payment Arrangements (FASB ASC 815-15). Under such accounting treatment, the liquidated damages are accounted for as a reduction of the proceeds. In asserting the most conservative position, the Company has accrued the maximum liability of $1.7 million and is carrying that balance in the accrued liabilities account. In the event that the registration becomes effective in a timeframe that is earlier than February 15, 2009, the portion that is not legally owed, or in the event that investors waive any liquidating damages, the accrual will be reversed and the funds will be added back to the Company's additional paid in capital. 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 are to be released back to him if the Company meets the following earnings targets of $15.9 million, and $20.9 million in after-tax net income for the years ended December 31, 2008, and 2009 respectively. In the event that the Company does not meet the aforementioned financial targets, the escrowed shares will be released, on a pro-rata basis, to the investors in the financing transaction. In accordance with SFAS 128, Earnings per Share (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 are not included in the weighted average basic shares outstanding but are included in the weighted average diluted shares outstanding. Please refer to Note 17.

In accordance with Topic 5.T of the Staff Accounting Bulletins (SAB 79), the Company has 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 $16,467,994 and $10,622,294 of expense for the years ended December 31, 2009 and 2008, respectively. The impacts to the Company's earnings, on a per share basis, using 17,272,756 and 17,272,756 basic weighted average shares outstanding for the 2009 and 2008, respectively, were $0.95 and $0.61, respectively. The company determined the expense based on a valuation on the Company's common stock derived from multiples of non-GAAP earnings for 2009 and 2008. The non-GAAP earnings reflect what net income would have been if the expense related to the release of escrow shares were not included in net income. The earnings multiples employed were 8.00 and 6.67, for 2009 and 2008, respectively. The Company believes that these estimates were both reliable and conservative because the valuations employed were higher than those indicated by the market during the 2009 and 2008 which leads to greater expenses charged to the Company's earnings during those periods. 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. The release date of all the escrowed shares is also detailed in Note 20.

Energroup Holdings Corporation
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2009 and 2008

20. 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 has 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.

The settlement agreement has characterized with respect to the release of the funds currently held in escrow as follows:-

1) Upon execution of this settlement agreement, the investors shall order the escrow agent to deliver the 2008 Make Good Escrow Shares to the pledgor (i.e. founder of the Company).

2) If the Company complies with all of the Public Company Requirements by March 31, 2010, all of the funds currently held in the escrow account will be released to the Company, and the liquidated damages in the amount of $1.7 million for not having the Registration Statement timely declared effective will be waived.

3) If the requirement to have the S-1 declared effective is the only Public Company Requirement not met by March 31, 2010, the investors will have the funds in escrow, less the 1.7 million in liquidated damages, released to the Company, and the $1.7 million shall remain in escrow and will be released to the Company if the Company meets the May 15, 2010 extension deadline. If the Company misses the extension deadline, then the $1.7 million will be distributed pro rata among the investors.

4) If the Company fails to satisfy any of the Public Company requirements by March 31, 2010, other than having the Registration Statement declared effective if the extension to May 15, 2010 applies, then the investors will have the funds in escrow, less the $1.7 million in liquidated damages released to them, on a pro rata basis, and the $1.7 million remaining shall remain in escrow and will be released to the Company if the Company meets the May 15, 2010 deadline. If the Company misses the extension deadline, then the $1.7 million will be distributed pro rata among the investors.

5) If the Company fails to comply with any two of the Public Company requirements, all of the funds in escrow will be released to the investors on a pro rata basis.

6) If the Company satisfies all of the Public Company Requirements and achieves the 2009 guaranteed after tax net income reported in 2009 Annual Report, equal to or greater than $20,900,000 as set forth in the Make Good Escrow Agreement, the investors' right to countersign an escrow release notice with respect to the release of the 2009 Make Good Escrow Shares shall be automatically waived. The Company shall have the right, within five calendar days from the date the Company files Form 10-K for the fiscal year 2009, to order the escrow agent to deliver the 2009 Make Good Escrow Shares to the founder of the Company. If the Company does not meet any one of the Public Company Requirements and the 2009 guaranteed after tax net income target, the Company's right to countersign an escrow release notice with respect to the release of the 2009 Make Good Escrow Shares shall be automatically waived and the investors shall have the right to order escrow agent to deliver the 2009 Make Good

Escrow shares to the investors within five days of the delivery of such notice.

Energroup Holdings Corporation
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The Company believes it has satisfied all of the criteria set forth in the settlement agreement described above except for its Form S-1 Registration Statement that has yet to be declared effective by the US SEC by March 31, 2010. The Company believes it has satisfied the criteria because on April 28, 2010, and February 20, 2010, the investors released 1,931,818 shares, and 1,931,818 shares, held in escrow, back to the Chairman and CEO as a result of the Company meeting its after tax net income requirements for both 2009 and 2008.

As of May 26, 2010, the Company's S-1 Registration Statement has not been declared effective. The investors have granted the Company an extension to gain effectiveness without penalty until June 30, 2010. If the Company's S-1 Registration Statement is not declared effective by June 30, 2010, it will be required to pay the $1.7 million in liquidated damages.

21. 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 2009 annual sales was $213,545,175 of which $5,669,348 (RMB 36,742,481), representing 2.66% of total sales, consisted of fresh pork sold to the Chinese National Pork Reserve.

Subsidy

The Company's operating subsidiary, Meat Company, received from the Dalian City government, grants of $141,867 and $1,422,830 for 2009 and 2008, respectively. The subsidy was given to the Company because it has earned positions of leadership in its industry and in the community.

Prospectus dated ________, 2010

ENERGROUP HOLDINGS CORPORATION

Shares

Common Stock

Until _______________ all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, payable by the registrant in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee.

Securities and Exchange Commission registration fee	$	2,278
Printing and engraving expenses	$	3,000
Blue Sky fees and expenses	$	5,000
Legal fees and expenses	$	45,000
Accounting fees and expenses	$	30,000
Miscellaneous	$	10,000
Total	$	95,278

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Indemnification Under Nevada Law

Nevada law generally permits us to indemnify our directors, officers and employees. Pursuant to the provisions of Nevada Revised Statutes 78.7502, a corporation may indemnify its directors, officers and employees as follows:

(a) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any action, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation, against expenses, actually and reasonably incurred by him in connection with the action, suit or proceeding if he: (a) is not liable for breach of his fiduciary duties as a director or officer pursuant to Nevada Revised Statutes 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(b) A corporation may indemnify any person who was or is a party or is threatened to be made a party to any action by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation against expenses actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he: (a) is not liable for breach of his fiduciary duties pursuant to Nevada Revised Statutes 78.138; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding, or in defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

Charter Provisions and Other Arrangements of the Registrant

Article VII of our articles of incorporation provides for the indemnification of any and all persons who serve as our director or officer to the fullest extent permitted under Nevada law. We do not currently carry directors' and officers' liability insurance covering our directors and officers, however, we are considering obtaining such insurance coverage from an internationally recognized underwriter with terms of coverage appropriate for a company of our size and nature.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers, or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that, in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The following is a summary of our transactions during the last three years involving sales of our securities that were not registered under the Securities Act:

On December 31, 2007, we entered into a Share Exchange Agreement (the "Exchange Agreement") with Precious Sheen Investments Limited, a British Virgin Islands company ("PSI") and all of the shareholders of PSI's issued and outstanding share capital (the "PSI Shareholders"). Pursuant to the Exchange Agreement, we agreed to issue 16,850,000 shares of our common stock to the PSI Shareholders in exchange for 100% of the capital stock of PSI. The issuance of the common stock to the PSI Shareholders pursuant to the Exchange Agreement was exempt from registration under the Securities Act pursuant to Section 4(2) and Regulation D thereof. We made this determination based on the representations of the PSI Shareholders which included, in pertinent part, that such shareholders were "accredited investors" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, and that such shareholders were acquiring our common stock, for investment purposes for their own respective accounts and not as nominees or agents, and not with a view to the resale or distribution thereof, and that each member understood that the shares of our common stock may not be sold or otherwise disposed of without registration under the Securities Act or an applicable exemption therefrom.

On December 31, 2007, in connection with the Exchange Agreement, we entered into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which we agreed to issue and sell 3,863,635 shares of our common stock to fifteen accredited investors for an aggregate purchase price of $17,000,000, or $4.40 per share (the "Financing"). The issuance of the common stock to the fifteen investors pursuant to the Purchase Agreement was exempt from registration under the Securities Act pursuant to Section 4(2) and Regulation D thereof. We made this determination based on the representations of the fifteen investors which included, in pertinent part, that such investors were "accredited investors" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, and that such investors were acquiring our common stock, for investment purposes for their own respective accounts and not as nominees or agents, and not with a view to the resale or distribution thereof, and that each member understood that the shares of our common stock may not be sold or otherwise disposed of without registration under the Securities Act or an applicable exemption. We also issued a warrant to the placement agent for the purchase of 386,364 shares of the Company's common stock at an exercise price of $4.40 per share.

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On May 3, 2007, prior to the reverse take-over transaction, Energroup, along with its then-current directors and executive officers, entered into a stock purchase agreement with Halter Financial Investments, L.P., a Texas limited partnership (“HFI”), pursuant to which Energroup agreed to sell to HFI 11,200,000 pre-reverse split shares (approximately 1,600,000 post-reverse split shares) of unregistered, restricted common stock for $350,000 cash. This transaction closed on May 22, 2007. The issuance of the common stock to HFI pursuant to the stock purchase agreement was exempt from registration under the Securities Act pursuant to Section 4(2) and/or Regulation D thereof. Energroup made this determination based on the representations of the HFI in the stock purchase agreement which included, in pertinent part, that such HFI was an “accredited investor” within the meaning of Rule 501 of Regulation D promulgated under the Securities Act, and that such shareholder was acquiring our common stock, for investment purposes for their own respective accounts and not as nominees or agents, and not with a view to the resale or distribution thereof, and that each member understood that the shares of our common stock may not be sold or otherwise disposed of without registration under the Securities Act or an applicable exemption therefrom.

On or about March 12, 2007, Energroup authorized the issuance of 5,462 shares of common stock in reconciliation of transfer records. Energroup received a General Release in conjunction with the issuance. Energroup completed the issuance because it believed the acquirer may be defined as a “Protected Purchaser” under Section 70A-8-303 of the Utah Code Annotated and Article 8 of the Uniform Commercial Code. These shares were issued because processing of a reverse stock split was inadvertently omitted for a share certificate representing 5,750 shares of common stock, which after proper adjustment, should have been reverse split to 288 shares (a difference of 5,462 shares). Bona fide purchasers bought the shares without knowledge that the shares were subject to a reverse stock split. Under Utah law (the jurisdiction in which the Company was then incorporated), “protected purchasers” are persons who acquire securities for value without notice of any adverse claim and who obtain control of a certificated or uncertificated security. In order to reconcile its share register, Energroup treated the error as the resale of 288 shares, plus the issuance of an additional 5,462 shares to the bona fide purchasers. Energroup relied upon Section 4(2) of the Securities Act, as the reconciliation shares issued in order to correct the error were issued in a transaction by the issuer not involving a public offering. The Company notes that no monetary consideration was received by the Company in connection with the issuance of these reconciliation shares.

Except as stated above, we have had no recent sales of unregistered securities within the past three fiscal years. There were no underwritten offerings employed in connection with any of the transactions described above.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

See “Exhibit Index” below which follows the signature pages to this registration statement.

ITEM 17. UNDERTAKINGS

Undertaking Required by Item 512 of Regulation S-K.

(a) The undersigned registrant will:

(1) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

(i) include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement; and notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee”table in the effective registration statement; and

(iii) include any additional or changed material information on the plan of distribution.

(2) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(3) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(b) For determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the registrant undertakes that in a primary offering of securities of the registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the registrant or used or referred to by the registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the registrant or its securities provided by or on behalf of the registrant; and

(iv) Any other communication that is an offer in the offering made by the registrant to the purchaser.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrant pursuant to 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 7 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dalian, People ' s Republic of China on the 3rd day of June, 2010.

ENERGROUP HOLDINGS CORPORATION

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

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Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Shi Huashan Shi Huashan	President, Chief Executive Officer, and Chairman of the Board (Principal Executive Officer)	June 3, 2010
/s/ Sharon Tang Sharon (Xiaorong) Tang	Chief Financial Officer (Principal Accounting and Financial Officer)	June 3, 2010
/s/ Ma Fengqin Ma Fengqin	Vice President and Director	June 3, 2010
/s/ Wang Shuying Wang Shuying	Director	June 3, 2010
/s/ Joseph Levinson Joseph Levinson	Director	June 32, 2010
/s/ Wenbing (Christopher) Wang Wenbing (Christopher) Wang	Director	June 3, 2010

EXHIBIT INDEX

Exhibit Number	Description
2.1	Share Exchange Agreement by and among the Company, PSI and PSI Shareholders dated December 2007 (1)
2.2	Articles and Plan of Merger (change in domicile from Utah to Nevada) (2)
3.1	Articles of Incorporation of Energroup Holdings Corporation (4)
3.2	Bylaws of Energroup Holdings Corporation (4)
3.3	Articles of Amendment to Articles of Incorporation of Energroup Holdings Corporation (4)
3.4	Articles of Amendment to Articles of Incorporation of Energroup Technologies, Inc. (Reverse Split) (2)
3.5	Articles of Incorporation of Energroup Holdings Corporation (2)
3.6	Certificate of Amendment to Articles of Incorporation of Energroup Holdings Corporation (Reverse Split) (3)
4.1	Registration Rights Agreement dated December 2007 among Energroup and the investors signatory thereto (1)
4.2	Form of Common Stock Purchase Warrant issued to Placement Agent (December 2007) (1)
5.1	Opinion of Richardson & Patel LLP (4)
10.1	Lockup Agreement dated December 2007 among Energroup and the Shareholders signatory thereto (1)
10.2	Executive Employment Agreement dated December 2007 between Energroup and Mr. Shi Huashan (1)
10.3	Executive Employment Agreement dated December 2007 between Energroup and Ms. Wang Shu (1)
10.4	Executive Employment Agreement dated December 2007 between Energroup and Mr. Chen Fuyuan (1)
10.5	Executive Employment Agreement dated September 2008 between Energroup and Mr. Yizhao Zhang (5)
10.6	Long-Term Hog Procurement Agreement dated December 17,2007 between Dalian Chuming Group Co., Ltd. and Dalian Chuming Slaughter and Packaging Pork Company, Ltd. (1)
10.7	Trademark License Contract (Chuming) dated December 2007 (English translation) (1)
10.8	Trademark License Contract (Huayu) dated December 2007 (English translation) (1)
10.9	Securities Purchase Agreement dated December 2007 among Energroup, PSI, Chuming, and the investors signatory thereto (1)

10.10	Make Good Escrow Agreement dated December 2007 among Energroup, Make Good Pledgor, Escrow Agent and the investors signatory thereto (1)
10.11	Holdback Escrow Agreement dated December 2007 among Energroup, Escrow Agent and the investors signatory thereto (1)
10.12	Loan Agreement between Dalian Chuming Food Co. Ltd and Bank of China dated November 2008 (6)
10.13	Loan Agreement between Dalian Chuming Meat Co. Ltd. and Bank of China dated November 2008 (6)
10.14	Settlement agreement by and among Energroup, the investors signatory thereto, Shine Gold Holdings Limited and U.S. Bank National Association dated December 30, 2009 (7)

10.15	Loan Agreement between Dalian Chuming Food Co., Ltd. and Bank of China dated October 28, 2009. (9)
10.16	Loan Agreement between Dalian Chuming Meat Co., Ltd. and Bank of China dated November 11, 2009. (9)
10.17	Loan Agreement between Dalian Chuming Meat Co., Ltd. and Bank of China dated November 19, 2009. (9)
10.18	Loan Agreement between Dalian Chuming Meat Co., Ltd. and Agricultural Development Bank of China dated October 30, 2009. (9)
10.19	Loan Agreement between Dalian Chuming Food Co., Ltd. and Bank of East Asia (China) dated October 22, 2009. (9)
10.20	Loan Agreement between Dalian Chuming Meat Co., Ltd. and Shanghai Pudong Development Bank dated July 16, 2009. (9)
10.21	Independent Director Agreement by and between the Company and Wenbing Christopher Wang dated March 23, 2010 (10)
10.22	Independent Director Agreement by and between the Company and Joseph Levinson dated March 23, 2010 (10)
10.23	Employment Agreement by and between the Company and Sharon Tang dated March 23, 2010 (8)
14.1	Code of Ethics (6)
23.1	Consent of Samuel H. Wong & Co., LLP, Certified Public Accountants*
24.1	Power of Attorney (4)

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* Filed herewith.

(1) Previously filed with our Current Report on Form 8-K on January 7, 2008 and incorporated herein by reference

(2) Previously filed with our Current Report on Form 8-K on August 22, 2007 and incorporated herein by reference.

(3) Previously filed with our Current Report on Form 8-K on December 14, 2007 and incorporated herein by reference.

(4) Previously filed with our Registration Statement on Form S-1 filed on February 11, 2008, and incorporated herein by reference.

(5) Previously filed with our Current Report on Form 8-K on September 23, 2008 and incorporated herein by reference.

(6) Previously filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated by reference.

(7) Previously filed with our Registration Statement on Form S-1, Amendment No. 3 filed on December 31, 2009 and incorporated by reference.

(8) Previously filed with our Current Report on Form 8-K filed on March 31, 2010 and incorporated by reference.

(9) Previously filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and incorporated by reference.

(10) Previously filed with our Current Report on Form 8-K filed on March 26, 2010 and incorporated by reference.