

CHINA TMK BATTERY SYSTEMS, INC.

FINANCIAL REPORT
FOR THE PERIOD ENDED
MARCH 31, 2017



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1. Name of the issuer and its predecessors, if any.

The name of the issuer is: **CHINA TMK BATTERY SYSTEMS INC.**

2. Address of the issuer's principal executive offices.

Company Headquarters

Zhongcheng Industrial Park, Shanglingpai New Village, Dalang Street, Longhua New District, Shenzhen, PRC

The issuer's telephone number is: (+86) 755 28109420

Website: <http://www.tmk-battery.com/>

IR Contact

Pivo Associates, Inc.

277 West 11th Street, Suite 2F

NY, NY. 10014

212-924-3548

3. Security Information

Security Symbol: DFEL

Exact title and class of securities outstanding: Common

CUSIP Number: 256596107

Stated Par Value: \$0.0001

Total authorized: 300,000,000 as of March 31, 2017

Total outstanding: 36,888,000 as of March 31, 2017

Total unrestricted: 10,617,600 as of March 31, 2017

Total number of shareholders: 97

Number of Beneficial Owners: 3

Exact title and class of securities outstanding: Preferred Series "A"

CUSIP Number: None

Stated Par Value: \$0.001

Total Authorized: 10,000,000 as of March 31, 2017

Total outstanding: 8,000,000 as of March 31, 2017

Total number of shareholders: 0

Number of Beneficial Owners: 0

Security Symbol: None

The Transfer agent is: Island Stock Transfer

15500 Roosevelt Boulevard, Suite 301

Clearwater, Florida 33760

Office phone: 727-289-0010 ext. 243

Fax: 727-289-0069

E-mail: info@islandstocktransfer.com

Web site: www.islandstocktransfer.com

Describe any trading suspension orders issued by the SEC in past 12 months: None

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4. History

There were no issuance of common stock for this quarter.

On February 10, 2010, we completed a reverse acquisition through a share exchange with Leading Asia and its sole shareholder, Unitech International Investment Holdings Limited, or Unitech, pursuant to which we acquired 100% of the issued and outstanding capital stock of Leading Asia in exchange for 25,250,000 shares of our common stock, which constituted 90.18% of our issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the reverse acquisition. In connection with the reverse acquisition, we also entered into a cancellation agreement with United Fertilisers (UK) Ltd., or United Fertilisers, our controlling stockholder, whereby United Fertilisers agreed to the cancellation of 272,250,000 shares of our common stock owned by it.

Immediately following the closing of the reverse acquisition of Leading Asia, Unitech transferred 10,524,600 of the 25,250,000 shares issued to it under the share exchange to 22 individuals and entities, pursuant to a share allocation agreement that Unitech entered into with these people on February 10, 2010. Among them, 9 individuals and entities received 1,910,600 shares from Unitech for providing consulting services to Leading Asia and its subsidiaries in assisting them to consummate the reverse acquisition of Leading Asia. The remaining 8,614,000 shares were gifted from Unitech to 13 individuals and entities who did not provide services to Leading Asia or its subsidiaries.

As a result of the reverse acquisition of Leading Asia, our business became the business of Leading Asia and its subsidiaries. On February 10, 2010, we changed our name to “China TMK Battery Systems Inc.” to more accurately reflect our new business operations.

Private Placement Transactions

On February 10, 2010, we completed a private placement transaction with a group of accredited investors, pursuant to which we issued an aggregate of 5,486,000 shares of our common stock to the investors for an aggregate purchase price of \$6,857,500, or \$1.25 per share, and warrants to purchase up to 2,743,000 shares of our common stock. The warrants have a term of 5 years, bear an exercise price of \$1.60 per share, as adjusted from time to time pursuant to anti-dilution and other customary provisions, and are exercisable by investors at any time after the closing date. The warrants have expired. None of them were exercised by any investors.

Other Share Issuance and Transfer

On March 27, 2010, we entered into common share subscription agreements with 58 individual non-U.S. investors. The investors, in aggregate, invested \$3,396,250 in exchange for 2,717,000 shares of common stock.

On May 27, 2011, China Development Industrial Bank (CDIB) signed a share purchase agreement with China TMK and invested \$10 million in exchange for 5 million preferred shares at the price of \$2 per share. On June 20, 2011, ZTE Energy (Cayman) Co. Limited (ZTE) signed a share purchase agreement with China TMK and invested \$6 million in exchange for 3 million preferred

shares at the price of \$2 per share. Our CEO, Mr. Henian Wu, subsequently purchased the 8 million shares of preferred stock from CDIB and ZTE that are currently issued and outstanding.

5. Financial Statements

The Issuer is providing financial statements for the three months ending March 31, 2017, and 6 months ended September 30, 2016 respectively.

- A. Balance Sheet*
- B. Statement of Operations*
- C. Statement of Cash Flows; and*
- D. Financial Notes*

These unaudited financial statements are incorporated by reference herein and attached as Exhibit 1.

6. Issuer's Business, Products and Services.

Business operations:

CHINA TMK BATTERY SYSTEMS, INC, during the quarter years ended March 31, 2017, we developed and manufactured or had other factories manufacture for us various types of Ni-MH rechargeable batteries, especially high-rate Ni-MH rechargeable batteries, which are used in a wide range of portable electronic applications. Since Ni-MH batteries were first commercialized in 1990, they have become the battery of choice for numerous portable electronic devices, as well as for electric vehicles and hybrid electric vehicles, because of their unique and favorable characteristics.

Date; State; and Jurisdiction of Incorporation:

CHINA TMK BATTERY SYSTEMS, INC., (the "Company") was incorporated under the laws of Nevada on June 21, 2006.

Issuer's Primary and Secondary SIC Codes;

3692: Primary Batteries, Dry and Wet

Fiscal Year:

The Company's fiscal year ends on December 31.

Products:

Historically, through our indirect Chinese subsidiary Shenzhen TMK Power Industries Ltd. ("Shenzhen TMK"), China TMK Battery Systems Inc. (the "Company," "we," "us," or

“our”) designed, developed, manufactured and sold environmentally-friendly nickel-metal hydride cell, or Ni-MH, rechargeable batteries, which are commonly used to power applications such as: vacuum cleaners and other household appliances; cordless power tools; medical devices; light electric vehicles, such as bicycles, electric vehicles and hybrid electric vehicles; light fittings; battery-operated toys; telecommunications; traffic control, and traffic lighting applications; and personal portable electronic devices, such as digital cameras, portable media players, portable gaming devices and PDAs. We derived a major portion of our revenues from sales of our Ni-MH rechargeable batteries for cordless household appliances, high-power electric tools and electric toys.

7. Describe the Issuer’s Facilities.

The Company outsources its production to various facilities within the Southern China geographical region.

8. Officers, Directors, and Control Persons

Names of Officers and Directors:

Heinan Wu-Chairman of the Board, CEO

Chief Executive Officer (owns directly or indirectly 24,091,400 common shares and 8,000,000 preferred shares).

Xiangjun Liu, 5% Shareholder ,owns 2,169,000 shares of restricted Common Stock

Mr. Henian Wu. Mr. Wu has been our Chairman since the closing of our reverse acquisition of Leading Asia on February 10, 2010 and has served as the President and as a Director of TMK since August 2005. Prior to joining us, Mr. Wu served as the general manager of Shenzhen Flying Crane Financial Advisory Co., Ltd., a finance consulting company, from 2003 to 2005. Mr. Wu holds a bachelor degree in Financial Accounting from Hubei Business School.

Legal/Disciplinary History:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses):

NONE

2. The entry of an order, judgment or decree, not subsequently suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or

otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities.

NONE

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated.

NONE

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred or suspended or otherwise limited such person's involvement in any type of business or securities activities.

NONE

**DOLAT VENTURES,
INC.
BENEFICIAL OWNERS
UNAUDITED**

Name & Address	# Common Shares Held	# of Preferred Series A Shares Held *	% of Common Owned	% of Preferred Owned
Mr. Henian Wu c/o The Company	24,091,400	8,000,000	53.67%	100%
Total Directors & Officers: > Five Percent Owners	0	0	0%	100%
Xiangjun Liu c/o The Company	2,169,000	0	5.88%	100%

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9. Third Party Providers

Legal Counsel:

Pending

Accountant

Pending

Investor Relations Advisor

Pivo Associates, Inc.

277 West 11th Street, Suite 2F

New York, NY. 10014

212-924-3548

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10. Issuer Certification.

I, Henian Wu, certify that:

1. I have reviewed this Interim Financial Disclosure for the year ended March 31, 2017; and the year ended December 31, 2016;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material aspects the financial condition, results of operations and cash flows of the issuer as of and for the periods presented in the disclosure statement.

Dated: July 19, 2017

/s/ Henian Wu
Principal Officer

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EXHIBIT I – UNAUDITED FINANCIAL STATEMENTS.

China TMK Battery Systems, Inc. BALANCE SHEETS UNAUDITED

	<u>March 31,</u>	<u>September 30,</u>
	<u>2017</u>	<u>2016</u>
Current assets -		
Cash	\$ 93	3,918
Accounts receivable, net	(273,940)	431,753
Other receivables and deposits	454	404
Inventories		
Advances to suppliers	612,830	1,124,113
Total current assets	<u>339,438</u>	<u>1,560,188</u>
Deposit		
Equipment, net	25,314	31,062
Intangible assets, net		
Investment	434,827	449,250
Goodwill		
Total assets	<u>\$ 799,579</u>	<u>2,040,500</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities -		
Accounts payable and acco	\$ 24,734,652	25,229,022
Convertible debentures and notes payable, related parties		
Notes payable		
Advances-related parties		
Short-term borrowing	743,361	768,018
Derivative liability		
Total current liabilities	<u>25,478,013</u>	<u>25,997,040</u>
Long-term liabilities -		
Long-term payable	2,438	1,450,601
Total liabilities	25,480,451	27,447,641
Stockholders' deficit:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized, 8,000,000 shares issued and outstanding at March 31, 2017 year and March 31, 2017 year, respectively		
Common stock, \$.001 par value, 300,000,000 shares authorized, 36,888,000 shares issued and outstanding at March 31, 2017 and March 31, 2016 year, respectively	1,629,461	1,629,461
Additional-paid in capital	814,730	814,730
Accumulated deficit	(27,125,064)	(27,851,331)
Total stockholders' deficit	<u>(24,680,873)</u>	<u>(25,407,140)</u>
Total liabilities and stockhold	\$ 799,579	2,040,500
deficit		

The accompanying notes are an integral part of the unaudited financial statements

China TMK Battery Systems Inc and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended March 31,	
	2017	2016
Sales	\$ 308,908	\$ 224,218
Cost of goods sold	<u>228,933</u>	<u>159,345</u>
Gross profit	79,974	64,873
Operating expenses:		
General and administrative	<u>57,402</u>	<u>77,203</u>
Loss from operations	22,572	(12,330)
Other income (expenses):		
Gain (loss) on derivative liability		
Non-operating profit		
Non-operating expense	(26)	(58)
Interest expense	<u>(20,352)</u>	<u>(65)</u>
Total other income (expenses)	(20,377)	(123)
Net income (loss) from continuing operations	2,195	(12,453)
Net loss from discontinued operations	-	-
Net income (loss)	<u>\$ 2,195</u>	<u>\$ (12,453)</u>
Basic earnings (loss) per common share		
Continuing operations	\$ 0.00	\$ (0.00)
Discontinued operations	<u>-</u>	<u>-</u>
	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Diluted earnings (loss) per common share		
Continuing operations	\$ 0.00	\$ (0.00)
Discontinued operations	<u>-</u>	<u>-</u>
	<u>\$ 0.00</u>	<u>\$ 0.01</u>
Basic weighted average shares outstanding	<u>36,888,000</u>	<u>36,888,000</u>
Diluted weighted average shares outstanding	<u>36,888,000</u>	<u>36,888,000</u>

See accompanying notes to the financial statements.F-3

China TMK Battery Systems Inc and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Six Months Ended March 31,	
	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net income (loss) from continuing operations	\$ (91,930)	\$ (3,664,355)
Net loss from discontinued operations	-	-
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss (gain) in fair value of derivative liability		-
Depreciation and amortization	5,748	350,204
Changes in operating assets and liabilities		
Accounts receivable	1,216,926	963,388
Accounts payable and accrued expense	(494,370)	(2,523,093)
Adjustments to exchange from RMB to USD	807,964	(42,771)
NET CASH USED IN OPERATING ACTIVITIES	1,444,337	(4,916,626)
CASH FLOW FROM INVESTING ACTIVITIES		4,903,147
NET CASH USED IN INVESTING ACTIVITIES	-	4,903,147
CASH FLOW FROM FINANCING ACTIVITIES		
Payback long-term payable	(1,448,163)	
Proceeds from note payable		
NET CASH PROVIDED BY FINANCING ACTIVITIES	(1,448,163)	-
Net (decrease) in cash	(3,825)	(13,478)
Cash, beginning of period	3,918	14,840
Cash, end of period	\$ 93	\$ 1,362
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest paid	\$ 105,444	\$ 862,836.02
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

China TMK BATTERY SYSTEMS, INC.
NOTES TO UNAUDITED FINANCIALS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The Company

China TMK Battery Systems Inc. ("China TMK", or "the Company") (formerly Deerfield Resource, Ltd.) was incorporated under the laws of the State of Nevada on June 21, 2006. On February 10, 2010, the Company entered into and closed the Share Exchange Agreement with Leading Asia Pacific Investment Limited ("Leading Asia"), a BVI company, and its sole stockholder, Unitech, a BVI company, pursuant to which we acquired 100% of the issued and outstanding capital stock of Leading Asia in exchange for 25,250,000 shares of the Company's common stock, par value \$0.001, which constituted 90.18% of the Company's issued and outstanding capital stock on a fully-diluted basis as of and immediately after the consummation of the transactions contemplated by the Share Exchange Agreement.

In connection with the reverse acquisition of Leading Asia, the Company also entered into the Cancellation Agreement with United Fertilisers, its controlling stockholder, whereby United Fertilisers agreed to the cancellation of 272,250,000 shares of China TMK's common stock owned by it. As a condition precedent to the consummation of the Share Exchange Agreement, on February 10, 2010, the Company also entered into a termination and release agreement with ASK Prospecting & Guiding Inc., pursuant to which the Company terminated that certain Mineral Claim Purchase Agreement, dated as of October 10, 2006. On February 10, 2010, Deerfield Resources, Ltd. changed its name to "China TMK Battery Systems Inc." to more accurately reflect its new business operations.

The transaction has been treated as a recapitalization of Leading Asia and its subsidiaries, with China TMK Battery Systems Inc. (the legal acquirer of Leading Asia and its subsidiaries, including the consolidation of the Shenzhen TMK Power Industries Ltd.) considered the accounting acquiree, and Leading Asia whose management took control of China TMK Battery Systems Inc. (the legal acquiree of Leading Asia) considered the accounting acquirer. The Company did not recognize goodwill or any intangible assets in connection with the transaction. All costs related to the transaction are being charged to operations as incurred. The 25,250,000 shares of common stock issued to the shareholders and designees of China TMK in conjunction with the Share Exchange have been presented as outstanding for all periods. The historical consolidated financial statements include the operations of the accounting acquirer for all periods presented.

Leading Asia Pacific Investment Limited ("Leading Asia") was incorporated in British Virgin Islands on July 8, 2008. Leading Asia had 50,000 capital shares authorized with \$1.00 par value and 50,000 shares issued and outstanding.

Good Wealth Capital Investment Limited (“Good Wealth”) was incorporated in Hong Kong on May 16, 2008. Good Wealth had 10,000 capital shares authorized with 1.00 HK dollar par value and 10,000 shares issued and outstanding. On August 12, 2008, Leading Asia acquired Good Wealth and became the sole shareholder.

In September 2008, Good Wealth entered into an ownership transfer agreement with Shenzhen TMK Power Industries Co., Ltd. (“Shenzhen TMK”) and its shareholders. Pursuant to the agreement, Shenzhen TMK's shareholders agreed to transfer their 100% ownership interest to Good Wealth at a price of \$1,510,000. The ownership transfer was approved and completed by the appropriate China government department in February 2010. Shenzhen TMK Power Industries Co., Ltd. was incorporated in Shenzhen, People's Republic of China (“PRC”) on September 3, 2001. Shenzhen TMK had an authorized and invested capital of \$362,911 (or RMB 3 million). On August 1, 2005, Shenzhen TMK increased its authorized and invested capital from \$362,911 (or RMB 3 million) to \$1,218,451 (or RMB 10 million). Shenzhen TMK's primary business activities involve research, development, production, marketing and sales of environment-friendly batteries including lithium batteries and nickel metal hydride batteries.

On July 14, 2009, Shenzhen TMK acquired 100% of the ownership of Shenzhen Borou Industrial Co., Ltd. (“Shenzhen Borou”). Pursuant to the ownership transfer agreement, Shenzhen TMK became the parent and sole owner of Shenzhen Borou.

China TMK and its subsidiaries - Leading Asia Pacific Investment Limited, Good Wealth Capital Investment Limited, Shenzhen TMK Power Industries Co., Ltd., and Shenzhen Borou Industrial Co., Ltd – are collectively referred to as the “Company.”, “us”, or “we”.

All of our business operations are conducted through our Chinese subsidiaries.

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission (“SEC”).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash consists principally of currency on hand, and demand deposits at commercial banks.

Foreign currency translation

Items included in the financial statements are translated from Chinese yuan into U.S. dollars, which is the functional currency of the Company.

The income statement and cash flows are translated into dollars at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on December 31. Exchange differences arising from the translation are recognized in other comprehensive income.

Revenue Recognition

The Company follows the guidance of Accounting Standards Codification (“ASC”) Topic 605, formerly, Staff Accounting Bulletin (“SAB”) 104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. Revenues from services are recognized when the services are performed, evidence of an arrangement exists, the fee is fixed and determinable and collectability is probable. In circumstances when these criteria are not met, revenue recognition is deferred until resolution occurs.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of property and equipment is computed by the straight-line method (after taking into account their respective estimated residual values) over the assets estimated useful lives of 10 years. Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statements of operations. Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful lives, whichever is shorter.

Net Income or (Loss) Per Share of Common Stock

Basic and diluted loss per common share is based upon the weighted average number of common shares outstanding during the period computed under the provisions of Accounting Standards Codification subtopic 260-10, Earnings per Share (“ASC 260-10”). Diluted income (loss) per share includes the dilutive effects of common stock equivalents on an “as if converted” basis.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period enacted. A valuation allowance is provided when it is more likely than not that a portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. The benefit of tax positions taken or expected to be

taken in the Company's income tax returns are recognized in the condensed financial statements if such positions are more likely than not of being sustained.

In accordance with ASC 740-10, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting this standard, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Goodwill and Intangible Assets

The Company's acquisitions are accounted for using the acquisition method. Under the acquisition method, net assets and results of operations of acquired companies are included in the consolidated financial statements from the date of acquisition. The purchase prices are allocated to the assets acquired, including identifiable intangible assets, and the liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over the fair value of the net assets acquired is recognized as goodwill. Conversely, any excess of the fair value of the net assets acquired over the purchase price is recognized as a bargain purchase gain.

The Company tests goodwill for impairment on an annual basis and at interim periods when events or circumstances may make it more likely than not that an impairment has occurred. If a qualitative analysis indicates that there may be an impairment, a quantitative analysis is performed. The quantitative impairment test for goodwill utilizes a two-step approach, whereby the Company compares the carrying value of each identified reporting unit to its fair value. If the carrying value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is compared to its carrying value. The Company recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value.

Fair Value of Instruments

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 states that a fair value measurement should be determined based on the assumptions the market participants would use in pricing the asset or liability. In addition, ASC 820 specifies a hierarchy of valuation techniques based on whether the types of valuation information ("inputs") are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The twelve broad levels defined by ASC 820 hierarchy are as follows:

Level 1 – quoted prices for identical assets or liabilities in active markets.

Level 2 – pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date.

Level 3 – valuations derived from methods in which one or more significant inputs or significant value drivers are unobservable in the markets.

These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment to estimation. Valuations based on unobservable inputs are highly subjective and require significant judgments. Changes in such judgments could have a material impact on fair value estimates. In addition, since estimates are as of a specific point in time, they are susceptible to material near-term changes. Changes in economic conditions August also dramatically affect the estimated fair values.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include related party receivables, prepaid expenses, accounts payable and accrued expenses and related party payables. The fair value of the Company's notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

Emerging Growth Company

We qualify as an "emerging growth company" under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period.

Recently Issued Accounting Pronouncements

We have reviewed all Accounting Standards Updates issued by the Financial Accounting Standards Board since we last issued financial statements and have determined none of them would have a material effect on the financial statements upon adoption.

NOTE 3 — GOING CONCERN

The accompanying unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As reflected in the accompanying consolidated financial statements, the Company had a substantial accumulated deficit during the exploratory stage and net losses for the six months ended March 31, 2017 and 2016. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

NOTE 4 - PROVISION FOR INCOME TAXES

We did not provide any current or deferred U.S. Federal Income Tax provision or benefit for any of the periods presented because we have experienced operating losses since our date of incorporation. Accounting for the Uncertainty in Income Taxes when it is more likely than not that a tax asset cannot be realized through future income, the Company must allow for this future tax benefit. We provided full valuation allowance on the net deferred asset, consisting of net operating loss carry forwards, because management has determined that it is more likely than not that we will not earn income sufficient to realize the deferred assets during the carry forward period.

NOTE 5-Derivative Liability

The Company previously had a derivative liability. The derivative liability was calculated using the Black Scholes year end 2016.

NOTE 6 – RELATED PARTY TRANSACTIONS

	December 31,	
	2016	2015
Henian Wu	\$ 971,139	\$ 976,508
Zongfu Wang	404,518	407,791
Junbiao Huang	200,848	206,486
	<u>\$1,576,505</u>	<u>\$1,590,785</u>

The Company borrowed from Mr. Henian Wu, Mr. Zongfu Wang and Mr. Junbiao Huang to fund its operations. There are no formal agreements between the Company and these parties. The loans bear no interest and are due on demand.

NOTE 7 – SUBSEQUENT EVENTS

None

