



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

**CHINA FOOD SERVICES, CORP. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 1<sup>ST</sup> QUARTER END MARCH 31<sup>ST</sup>, 2011  
(UNAUDITED)**



## **FORWARD LOOKING STATEMENTS**

THIS INITIAL COMPANY INFORMATION AND DISCLOSURE STATE, IN PARTICULAR, "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND "BUSINESS," INCLUDE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE STATEMENTS REPRESENT THE COMPANY'S EXPECTATIONS OR BELIEFS CONCERNING, AMONG OTHER THINGS, FUTURE REVENUE, EARNINGS, AND OTHER FINANCIAL RESULTS, PROPOSED ACQUISITIONS AND NEW PRODUCTS, ENTRY INTO NEW MARKETS, FUTURE OPERATIONS AND OPERATING RESULTS, FUTURE BUSINESS AND MARKET OPPORTUNITIES. THE COMPANY WISHES TO CAUTION AND ADVISE READERS THAT THESE STATEMENTS INVOLVE RISK AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS AND BELIEFS CONTAINED HEREIN. FOR A SUMMARY OF CERTAIN RISKS RELATED TO THE COMPANY'S BUSINESS, SEE "RISK FACTORS." UNDER "DESCRIPTION OF BUSINESS."



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

## DIRECTOR'S REPORT FOR 1<sup>ST</sup> QUARTER END MARCH 31, 2011

The Board of Directors of China Food Services, Corp. hereby submits the financial report of the Company for the 1<sup>st</sup> quarter end March 31, 2011 and reports as follows:

1. We have reviewed the 1<sup>st</sup> quarter end March 31, 2011 financial statements of China Food Services, Corp.
2. Based on the board's knowledge, these financial statements does not contain any untrue statement of a 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 these financial statements; and
3. Based on the board's knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Frank J. Yglesias  
Chairman of the Board/President  
April 15<sup>th</sup> 2011

Gao Zhi-Qing  
Secretary of the Board  
April 15<sup>th</sup> 2011



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

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## DIRECTORS

The name and particulars of the Directors of China Food Services, Corp. formally known as “Golden Dragon Holdings, Inc.”, in office at any time during or since the end of the period:

Frank Yglesias	Chairman of the Board/President
Jack Hua	Vice-President
Gao Zhi-Qing	Secretary of the Board

## ADDRESS OF THE ISSUER’S PRINCIPAL EXECUTIVE OFFICES

### China Headquarters:

Room 302, Shengjie Office Bldg, No. 16  
Xibahe Beili Chaoyang District  
Beijing 100028, China

### US Offices:

1200 Brickell Ave. Suite 1950  
Miami, FL 33131

## 1. CORPORATE INFORMATION AND DESCRIPTION OF BUSINESS

China Food Services, Corp. formally known as “Golden Dragon Holdings Inc.” (the “Company”) was incorporated in the state of Florida in 1992. The Company’s primary business operations are conducted as an importer, exporter and distributor of staple, organic, specialty, and gourmet foods and beverages, catering to the Asian Pacific Rim. The Company offers wholesale food distribution to grocery chains and independent food stores throughout China. The Company purchasing goods directly from manufactures in the United States, Latin America and Europe and distributes these products to distributors, grocery stores, supermarkets and hypermarkets throughout China. The company also has two subsidiaries that play a



# China Food Services, Corp.

## 1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

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strategic role in the importation and distribution of products in China. They are; Golden Dragon Food & Beverage Import & Export Company of Hong Kong, Ltd. incorporated in Hong Kong since 2007 and Beijing Jin Long Fei International Trading Co., LTD incorporated in 2007 as a WOFE “Wholly Owned Foreign Entity”.

## 2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

### **Basis of presentation**

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

### **Use of estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. These accounts and estimates include, but are not limited to, the valuation of trade receivables, other receivables, inventories, deferred income taxes and the estimation on useful lives of property, plant and equipment. Actual results could differ from these estimates.

### **Basis of consolidation**

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions within the Company have been eliminated upon consolidation. Cash and cash equivalents are carried at cost and represent cash on hand, demand deposits placed with banks or other financial institutions and all highly liquid investments with an original maturity of three months or less as of the purchase date of such investments.

### **Inventories**

Inventories are stated at the lower of cost or market value. Cost is determined on a first in first out basis and includes all expenditures incurred in bringing the goods to the point of sale and putting them in a saleable condition. In case of manufacturing inventories, cost includes an appropriate share of production overheads based on normal operating capacity. In assessing the ultimate realization of inventories, the management makes



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

---

judgments as to future demand requirements compared to current or committed inventory levels. The Company estimates the demand requirements based on market conditions, forecasts prepared by its customers, sales contracts and orders in hand.

In addition, the Company estimates net realizable value based on intended use, current market value and inventory aging analyses. The Company writes down the inventories for estimated obsolescence or unmarketable inventories equal to the difference between the cost of inventories and the estimated market value based upon assumptions about future demand and market conditions.

## **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

Depreciation is calculated on the straight-line basis over the following expected useful lives from the date on which they become fully operational and after taking into account their estimated residual values:

**Equipment:** Straight-line for 5 to 20 years with a \$0 salvage value

**Building:** Straight-line for 20 years with a \$0 salvage value

Maintenance or repairs are charged to expense as incurred. Upon sale or disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

## **Revenue recognition**

The Company's revenue recognition policies are in accordance with Staff Accounting Bulletin 104. Sales revenue is recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable, and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer.

The Company recognizes revenue when the goods are delivered and title has passed. Sales revenue represents the invoiced value of goods, net of a value-added tax ("VAT"). All of the Company's products that are sold in the PRC are subject to a Chinese value-added tax at a rate of 17% of the



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

---

gross sales price or at a rate approved by the Chinese local government. This VAT may be offset by the VAT paid by the Company on raw materials and other materials included in the cost of producing their finished product.

## Income taxes

The Company accounts for income tax using SFAS No. 109 “Accounting for Income Taxes”, which requires the asset and liability approach for financial accounting and reporting for income taxes. Under this approach, deferred income taxes are provided for the estimated future tax effects attributable to temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, and for the expected future tax benefits from loss carry-forwards and provisions, if any. Deferred tax assets and liabilities are measured using the enacted tax rates expected in the years of recovery or reversal and the effect from a change in tax rates is recognized in the statement of operations and comprehensive income in the period of enactment. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

## Recently issued accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and do not believe the future adoption of any such pronouncements may be expected to cause a material impact on its financial condition or the results of its operations.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (FAS 165), which establishes general standards of accounting for, and requires disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted the provisions of SFAS 165 for the quarter ended June 30, 2009. The adoption of these provisions did not have a material effect on the Company’s consolidated financial statements. In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140 (FAS 166). FAS 166 eliminates the concept of a “qualifying special-purpose entity,” changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity’s continuing involvement in and exposure to the risks related to transferred financial assets. FAS 166 is effective for fiscal years beginning after November 15, 2009. The Company will adopt FAS 166 in fiscal 2010 and is evaluating the impact it will have on the consolidated results of the Company.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (FAS 167). The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

(3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. FAS 167 is effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The Company will adopt FAS 167 in fiscal 2010 and is evaluating the impact it will have on the consolidated results of the Company.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (FAS 168). FAS 168 replaces FASB Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles, and establishes the "FASB Accounting Standards Codification TM" (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

### 3. INVENTORIES

Inventory as of March 31, 2011 consist of:

	03/31/2011	03/31/2010
	\$92,601	\$298,959

For the three months ended March 31, 2011, no provisions for obsolete inventories were recorder by the company.

### 4. PROPERTY, PLANT AND EQUIPMENT

Property and Equipment as of March 31, 2011 consist of:

	03/31/2011	03/31/2010
Office equipment	\$57,174	\$57,174
Office furn. & fixture	\$26,992	\$20,992
Vehicles	\$46,795	\$20,440
	<b>\$130,961</b>	<b>\$98,606</b>



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

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Less: Accumulative depreciation	<u>(\$8,123.25)</u>	<u>(\$13,813)</u>
	<b>\$122,837.75</b>	<b>\$84,793</b>

For the three months ended March 31, 2011, the company had depreciation expenses of \$8,123.75USD.

## 5. PROMISSORY NOTES & LOANS

### SHAREHOLDER LOAN

None

### INVESTORS LOAN

As of March 31, 2011, the Company had an Investor loan payable of \$20,000USD. The loan is secured at 8% annual interest. The loan is evidenced by a promissory note agreement between the Investor's and the Company. The loan proceeds were used to fund working capital.

## 6. SETTLEMENT PAYABLES

None

## 7. COMMON STOCK & PREFERRED STOCK ISSUANCES

On January 5<sup>th</sup>, 2011 the company issued 58,000,000 preferred shares

On March 8<sup>th</sup>, 2011 the company issued 900,000,000 common shares



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

## CHINA FOOD SERVICES, CORP. & SUBSIDIARY UNAUDITED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2011

### ASSETS

	03/31/2011	03/31/2010
<b>CURRENT ASSETS</b>		
Bank of America Operations Account	\$221.87	\$2,629.44
Bank of America Treasury Account	\$8,718.57	\$64,635.27
HSBC China Basic Account	\$0.00	\$20,000
HSBC China General Account	\$278.83	\$500
Bank of China Basic Account	\$3,579.35	\$0.00
Other Cash & Cash Equivalents	\$750.25	\$0.00
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>\$13,548.87</b>	<b>\$87,764.71</b>
Accounts receivable	\$138,076	\$20,290.84
Inventories	\$92,601	\$298,959.84
Due from shareholders	\$0.0	\$1,500
<b>TOTAL CURRENT ASSETS</b>	<b>\$244,225.87</b>	<b>\$408,515.39</b>
<b>PROPERTY AND EQUIPMENT</b>		
Accumulated Depr.	\$130,961	\$98,606
	(\$32,493)	(\$13,813.20)
<b>NON-CURRENT ASSETS</b>		
Loan to Beijing Sub	\$240,093	\$139,838
Investment in subsidiaries	\$15,000	\$14,620
<b>TOTAL ASSETS</b>	<b>\$597,786.87</b>	<b>\$647,766.19</b>



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

## LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$124,915	\$75,588
Settlement payable		
Salary payables	\$31,250	\$47,000
Investor's loan	\$20,000	\$60,000
Shareholder loan	\$0	\$69,855
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$176,165</b>	<b>\$252,442</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock (200,000,000) Authorized 100,000,000 Shares Issued & Outstanding		
Common stock (\$.001 par value, 5,000,000,000 Authorized 3,753,834,775 Shares Issued & Outstanding	\$3,753,835	\$2,590,834
Additional Paid in Capital	\$0	\$99,365
Common Stock	\$0	\$697,590
Retained Earnings	\$0	(\$464,354)
Net Income	(\$78,586)	(\$212,303)
Accumulated Deficit	(\$3,253,628)	(\$2,315,808)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>\$421,621</b>	<b>\$395,324</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$597,786</b>	<b>\$647,766</b>



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

**CHINA FOOD SERVICES, CORP. & SUBSIDIARY**  
**UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AS OF MARCH 31, 2011**

	03/31/2011	03/31/2010
<b>SALES AND COST OF SALES:</b>		
Sales	\$83,449	\$20,290.84
Cost of sales	12,739	\$9,739.20
Gross profit	<b>\$70,710</b>	<b>\$10,551.64</b>
<b>OPERATING EXPENSES:</b>		
Advertising & Promotion	\$631.34	\$11,839.62
Bank Charges & Fees	\$553.00	\$457.36
Computer Hardware	\$293.86	\$0.00
Government Fees	\$1,307.37	\$618.22
Insurance	\$116.44	\$0.00
Internet Services,	\$592.93	\$826.17
Logistics	\$900.15	\$846.99
Meals & Entertainment	\$583.41	\$1,586.17
Medical	\$29.19	\$0.00
Misc & Admin	\$0.00	\$30.74
Office & Warehouse Rental	\$11,382.49	\$6,935.44
Office Supplies	\$581.57	\$955.26
Payroll expenses	\$12,817.20	\$47,000.00
Postage & Delivery	\$673.92	\$862.46
Printing & Reproduction	\$371.86	\$816.62
Professional Fees	\$5,921.66	\$27,665.26
Sales Commissions	\$1,954.69	\$0.00
Sales VAT	\$702.92	\$0.00
Supermarket Entrance Fees	\$231.18	\$5,000.00
Telephone	\$745.96	\$2,582.41



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

Travel Expenses	\$1,806.30	\$11,809.11
Utilities	\$194.93	\$62.50
Vehicle Gas & Maintenance	\$1,668.97	\$1,409.05
<b>OPERATING LOSS</b>	<b>(\$44,061.34)</b>	<b>(\$121,303.38)</b>
	<b>NET GAIN</b>	<b>\$26,648.66</b>
	<b>NET LOSS</b>	<b>(\$110,751.74)</b>
Net loss per common share basic & fully diluted		**
Weighted average common shares outstanding - basic and fully diluted	<b>3,753,834,775</b>	<b>2,590,834,775</b>

\*\* Less than \$.01



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

**CHINA FOOD SERVICES, CORP. & SUBSIDIARY**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW**  
**AS OF MARCH 31, 2011**

	03/31/2011	03/31/2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$26,648.66	(\$110,751.74)
Adjustments to reconcile net loss to net cash used in operating activities:		(\$185,371.86)
Depreciation	\$32,493	\$13,813.20
Stock issued to settle the debt		
(Increase) decrease in operating assets:		
Accounts receivable	(\$138,076)	(\$20,290.84)
Inventory	(\$92,601)	(\$298,959.84)
Due from shareholders	\$0.0	(\$1,500)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	\$156,165.39	\$212,303.38
NET CASH (USED IN) OPERATING ACTIVITIES	(\$15,369.95)	(\$390,757.70)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Repayments) to stockholder loans		
Proceeds from private placement	\$0	\$300,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$0	\$300,000
 <b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	\$12,873	\$26,971.33
End of period	\$13,548	\$87,764.71



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the quarter for interest	0	
Non-cash investing and financing activities:		
Increase in note payable due to interest accrued	0	
Common stock issued to settle the debt	0	

The accompanying notes are an integral part of the financial statements



# China Food Services, Corp.

1<sup>ST</sup> QUARTER END MARCH 31, 2011 FINANCIAL STATEMENT

## CHINA FOOD SERVICES, CORP. & SUBSIDIARY UNAUDITED STATEMENT OF STOCKHOLDERS' (DEFICIT) AS OF MARCH 31, 2011

	Common Stock, \$0.001 Par		Additional	Preferred Stock
	Number of		Paid-in	
	Common Shares	Amount	Capital	Accumulated Deficit
Balances, December 31, 2010	2,853,834,775	\$2,853,835	(\$236,000)	(\$2,617,835)
Issuances of preferred stock				58,000,000
Issuances of common stock	900,000,000	\$900,000		
Balance, March 31, 2011	3,753,834,775	\$3,753,835		100,000,000