

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

FORM 10-K

ANNUAL REPORT UNDER THE SECURITIES ACT OF 1933

For the fiscal year ended **December 31, 2017**

Commission File No. **333-167964**



中国首冠矿业
CHINA SHOUGUAN MINING

CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

27-2513824

(IRS Employer Identification No.)

**Suite 2606, Great China International Exchange Square,
No.1, Fuhua Road,
Futian District, Shenzhen
People's Republic of China
Telephone 0086-755-82520008
Facsimile 0086-755-82520156**

(Address and telephone number of registrant's principal executive offices)

Frank J. Hariton

1065 Dobbs Ferry Road

White Plains, New York

Tel: 914 674 4373; Fax: 914 693 2963

(Name, address and telephone number of agent for service)

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

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$0.0001 par value**

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 Exchange 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [] No [X]

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. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company [X]

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

Issuer's revenues for the year ended were \$2,469,529.

As of December 31, 2017, there were 115,000,000 shares of our common stock issued and outstanding. The Company is now quoting at OTC PINK for the symbol CHSO. The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the \$0.0001 par value price per share paid for the shares is approximately \$7,318.

DOCUMENTS INCORPORATED BY REFERENCE

Some exhibits required to be filed hereunder, are incorporated herein by reference to our original Form S-1 Registration Statement, filed under CIK No 0001493893 on July 1, 2010, and in amendments filed thereafter, on the SEC website at www.sec.gov.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. These statements relate to future events or our future financial performance. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

Readers are also urged to carefully review and consider the various disclosures made by us which attempt to advise interested parties of the factors which affect our business, including without limitation the disclosures made in PART I. ITEM 1A: Risk Factors and PART II. ITEM 7 "Management's Discussion and Analysis or Plan of Operation" included herein.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports that we file with the U.S. Securities and Exchange Commission (SEC) are available at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

PART I.

Item 1. Business

Overview

China ShouGuan Mining Corporation (“ShouGuan”, “we” and the “Company”) was incorporated in the State of Nevada on May 4, 2010. We are a holding company that conducts business operations in Shandong Province in the People’s Republic of China (PRC). On June 23, 2010, we entered into a stock exchange transaction with the shareholders of Bei Sheng Limited (“BSL”), whereby we issued 100,000,000 shares of common stock in exchange for 100% of the ownership interest in BSL, for the purpose of re-domiciling BSL as a Nevada corporation in the United States. These shares were issued as restricted securities under SEC Rule 144. As a result of the share exchange transaction, BSL became our wholly-owned operating subsidiary in the PRC. Unless otherwise indicated, all references to the Company throughout this annual report include the operations of BSL and its subsidiaries and variable interest entities (“VIEs”).

We were founded by a number of business professionals and experts in China who specialize in mining technologies, mining resources management and financial and strategic management. Our primary focus is on acquiring existing gold mine in Shandong province of the PRC. These potential targets are mostly run with low productivity because of inadequate funds and primitive technologies. We plan to re-engineer and redevelop these gold mines through the transfer of advanced exploration and mining technologies, capital injection and effective management.

Our business model includes sourcing of early stage gold mines with good profit potential, conducting feasibility studies to identify suitable projects, leasing the suitable mining sites and facilities and managing the mining operations on these selected sites, with the goal of acquiring the mine if the operations prove to be satisfactory based on the review criteria set by our experienced management. In addition, we also provide consulting services in areas related to mine exploration and analysis to our clients on a project-by-project basis.

Revenues are derived from the sales of gold concentrates, the principal raw material used in gold smelting operation to produce gold. The selling prices are determined from two factors, the amount of gold in the gold concentrates and the price of gold on the date of sale. The amount of gold in the gold concentrates is determined and agreed upon between the Company and the smelters and then the selling price is determined according to the official gold price at the time of sale as indicated by the Shanghai Gold Exchange (<http://www.sge.sh>), an entity governed by the PRC Government). On the consulting side, revenues are derived on a project-by-project basis and payment is collected as we complete our service as outlined in the scope of each individual project. In order to minimize the effect of fluctuations of gold price and to achieve better economies of scale in operations, the Company decides to focus more on mine exploration.

We target to grow proactively through continual sourcing of existing gold mines in the PRC and managing them. These projects will be executed by BSL and its VIEs. CunliJi Gold Mine was the first project commenced in May 2009. To ensure all mines are legally and properly operated, all target gold mines are required to have full sets of government-approved licenses before effecting commencement of any business operations.

On December 28, 2010, the Company's Form S-1 registration statement (the "Registration Statement") was declared effective by the SEC, allowing us to sell a total of 1,000,000 shares of our common stock and raise a total of \$500,000, which we intend to use to implement our business operations (the "Offering"). The Offering was expired on June 26, 2011 as stated in the Registration Statement and the Board of Directors of the Company has held a special meeting and resolved to extend the offering period for an additional 180 days. On October 30, 2011, the Company consummated the sale to 19 accredited investors of an aggregate of 1,000,000 shares of its common stock, par value \$0.0001, at a per share price of \$0.201, or \$201,000 in the aggregate, pursuant to certain subscription agreements. These shares were subsequently issued on January 12, 2012. This offering was the initial public offering of common stock of China Shouguan Mining Corporation. The Company is now quoting at OTC PINK for the symbol CHSO.

On May 6, 2011, the Company, through its variable interest entity, YantaiJinguan Investment Co., Ltd. ("Yantai"), entered into a lease agreement with LongkouDayuan Gold Mining Co. Ltd., an unrelated third party being the legal owner and holding the mining license of the Dayuan gold mine (the "Lease Property") regarding Dayuan Gold Mine. Under the agreement, the Company agrees to pay the aggregate rental payments of approximately \$20 million for a term of 10 years commencing from April 1, 2011 through April 1, 2021 to obtain the right to manage and operate the Lease Property in the repayment schedule, whereas the Company is committed to pay \$12 million equal to 6 years' rental, no later than September 30, 2011 and the remainder will be paid no later than March 1, 2017.

In July 2013, the Yantai local government informed the Company that the Shandong Province has promulgated a new local regulation. The regulation stated that all underground mines in the territory which has a production of under 40,000 tonnes per year will all be forced to close down before the end of 2015. As such, since Cunliji Mine falls within the category, the Company decided to sell the mine for money and to invest in mines in other territories, which includes investing in mine exploration areas, and, acquiring or leasing some tailings environmental protection projects.

On 21st February 2014 SSIC acquired 99% shareholdings of DaxinganlingYiguanyuan Mining Investment Company Limited ("DYM") for a consideration of RMB4,000,000. DYM focuses on mine exploration in the Daxinganling area in the Heilongjiang Province in north-eastern part of China. DYM has signed a Memorandum of Understanding with DaxinganlingGuolin Mining Company Limited, a wholly-owned subsidiary of the Daxinganling local government in July 2013, which stated that the two parties would cooperate together to explore the precious metals mines in the Daxinganling area. As of December 31, 2016, no exploratory work or other operating activities have been commenced.

On 31st March 2014, the Company signed an agreement with YantaiJinjian Smelting Technology Limited (85%) and YantaiJihao Trading Limited (15%), where 100% interests in XinGuan (as defined below) which owned Cunliji Mine was transferred for a total consideration of RMB45,000,000. It resulted in a profit of RMB9,000,000 for the Company compared with the original acquisition consideration in 2010.

Corporate History and Structure

China ShouGuan Mining Corporation was incorporated in the State of Nevada on May 4, 2010. On May 27, 2010, Harry Orfanos, our original director and incorporator in the State of Nevada, resigned as our President and Chief Executive Officer and the Board of Directors appointed Mr. Feize Zhang to serve as our President, Treasurer, Chief

Executive Officer and Director, Mr. Ming Cheung as Secretary, Chief Financial Officer and Director and Mr. Jingfeng Lv as Chief Technical Officer.

On June 23, 2010, we entered into a stock exchange transaction with the shareholders of Bei Sheng Limited (“BSL”), whereby we issued 100,000,000 shares of common stock in exchange for 100% of the ownership interest in BSL, for the purpose of re-domiciling BSL as a Nevada corporation in the United States. These shares were issued as restricted securities under SEC Rule 144. As a result of the merger, BSL became our wholly-owned operating subsidiary in the PRC. BSL was incorporated in the British Virgin Islands on December 17, 2009 as a limited liability company for the purpose of holding 100% equity interest in Golden Wide International Limited (“GWIL”).

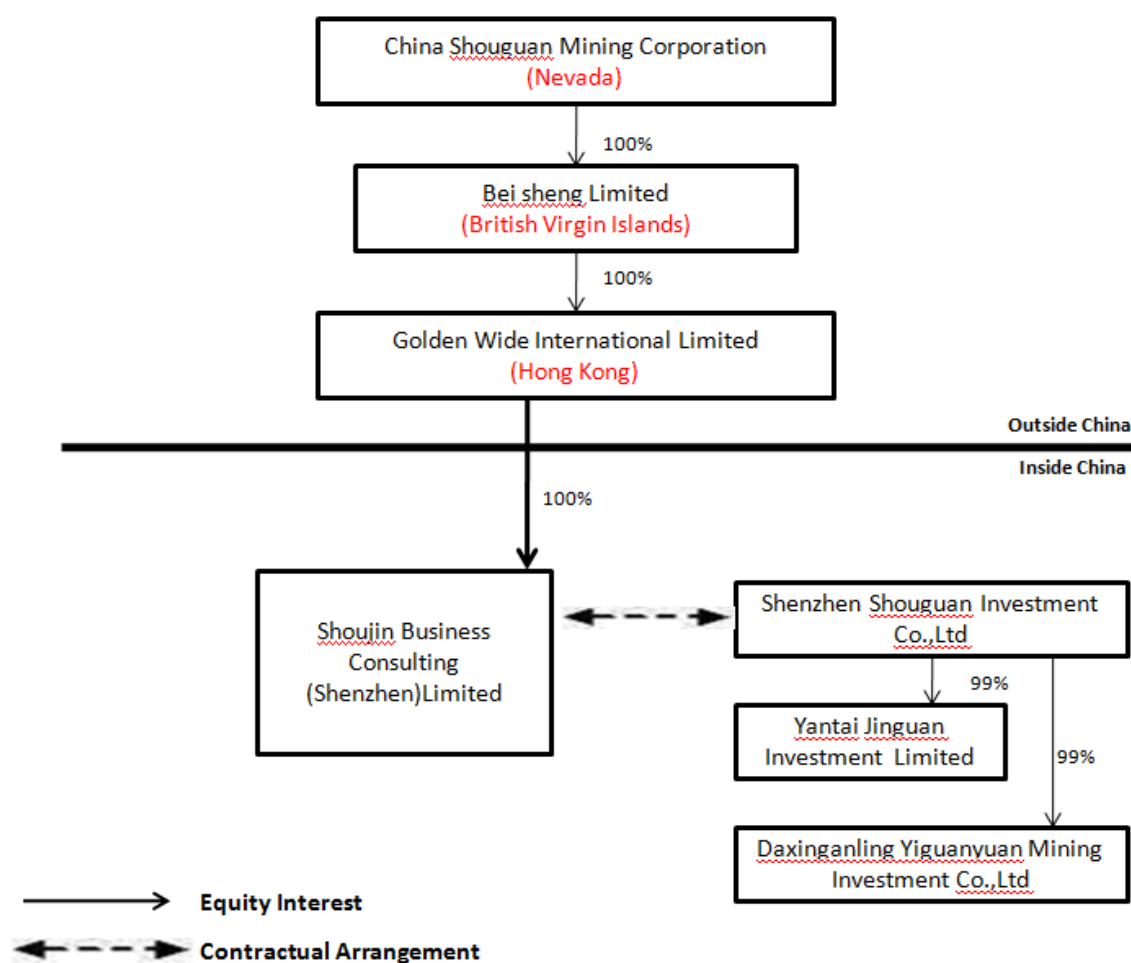
GWIL was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) on June 18, 2009 as a limited liability company. GWIL formed Shoujin Business Consulting (Shenzhen) Limited (“SBCL”) as a wholly foreign-owned enterprise under the laws of the PRC on April 23, 2010. SBCL is principally engaged in the business of providing consulting services in the PRC.

Shenzhen Shouguan Investment Co., Ltd (“SSIC”) is an investment holding company established in Shenzhen, on December 1, 2008. It is 70% owned by Mr. Feize Zhang, our Chairman and CEO, 20% owned by Mr. Jingfeng Lv, our Chief Technical Officer, and 10% owned by Mr. Jianxi Yang, a director of Yantai JinGuan Investment Limited, SSIC’s subsidiary. SSIC represents the headquarters of the Company, principally engaging in formulation of corporate plans for the overall operational management and strategic development of the Company. As the company management platform, SSIC acts an effective linkage between mining projects with the U.S. capital market in terms of searching potential gold mine projects, performing due diligence, integration of resources, promoting investor relations as well as accessing to capital markets for financing.

Yantai JinGuan Investment Limited (“JinGuan”) was incorporated in Yantai, the PRC and is a subsidiary held 99% by SSIC. JinGuan represents the investment management platform for operational and financial management of our current gold mine projects (i.e. Dayuan Mine). Another business function of JinGuan is to undertake geological exploratory work for gold mines as well as to provide technical consulting services. As a subsidiary of SSIC and its management platform in Shandong province, JinGuan is required to report regularly to SSIC in terms of the daily operation and the progress of development of the two gold mines.

PenglaiXinGuan Investment Limited (“XinGuan”) was incorporated in Penglai, the PRC and is the wholly-owned subsidiary of JinGuan. XinGuan houses our licenses and operations in Penglai, the PRC. As described above, XinGuan was sold to two third parties on March 31, 2014.

The following diagram illustrates our current corporate structure:



To satisfy the investment restrictions in the PRC mining business, the Company, through SBCL entered into and consummated certain contractual arrangements with SSIC, JinGuan and DYM. As a result of these contractual arrangements, which obligates SBCL to absorb the risk of loss from the activities of SSIC, JinGuan and DYM, and enables SBCL to receive all of its expected residual returns, we account for SSIC, JinGuan and DYM, and their subsidiaries, as a variable interest entity (“VIE”) under U.S. GAAP and we consolidate their results in our consolidated financial statements.

Since the Company, BSL, GWIL, SBCL and its VIE arrangement as SSIC were under common control with the same ultimate beneficial owners, who are officers and directors of the Company, the re-domiciling transaction and VIE arrangement was accounted for as a transfer of entities under common control and all disclosures referencing business operations of our VIEs were made throughout this report as if the share exchange transaction had become effective as of the beginning of the first period presented, even though the Company was not yet incorporated in Nevada. As such, the Company, BSL and its subsidiaries and VIEs are hereinafter collectively referred to as the Company and all are consolidated in our financial statements.

Prior to acquisition of the Company shares, Mr. Zhang and Mr. Lv were not affiliates of the Company. They were also not an affiliate of any of the Company’s shareholders.

Contractual Arrangements

Gold mining is a highly restricted industry in China. As such, it is extremely difficult for PRC gold mining companies to obtain government approval on having foreign ownership. Accordingly, BSL's PRC subsidiary, SBCL, which is considered foreign-invested, is currently ineligible to directly own the required exploration and mining licenses in China. Our exploration and mining business is currently provided through contractual arrangements with BSL and its VIEs in China, which are currently SSIC and its subsidiaries, JinGuan and DYM.

BSL's VIEs sell gold concentrates directly to our customers, which are typically the refinery plants in China. We have been and are expected to continue to be dependent on our VIEs to operate our exploration and mining business. SBCL has entered into contractual arrangements with our VIEs, which enable us to:

- exercise effective control over the VIEs;
- receive substantially all of the economic benefits from the VIEs; and
- have an exclusive option to purchase all of the equity interests in the VIEs.

SBCL entered into a series of agreements (“VIE agreements”) amongst SSIC, JinGuan and DYM and the individual owners of SSIC, JinGuan and DYM (See NOTE below) and details of the VIE agreements are as follows:

1. Exclusive Technical Service and Business Consulting Agreement, signed on May 15, 2010 - SBCL has the exclusive right to provide to SSIC, JinGuan and DYM (DYM's agreement was signed and effective on March 31, 2014), consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and DYM.

SSIC, JinGuan and DYM pay to SBCL annually consulting service fees in an amount equal to all of their revenue for such year. These agreements run for a 10-year term and are subject to automatic renewal for an additional 10 year term provided that no objection is made by both parties on the renewal.

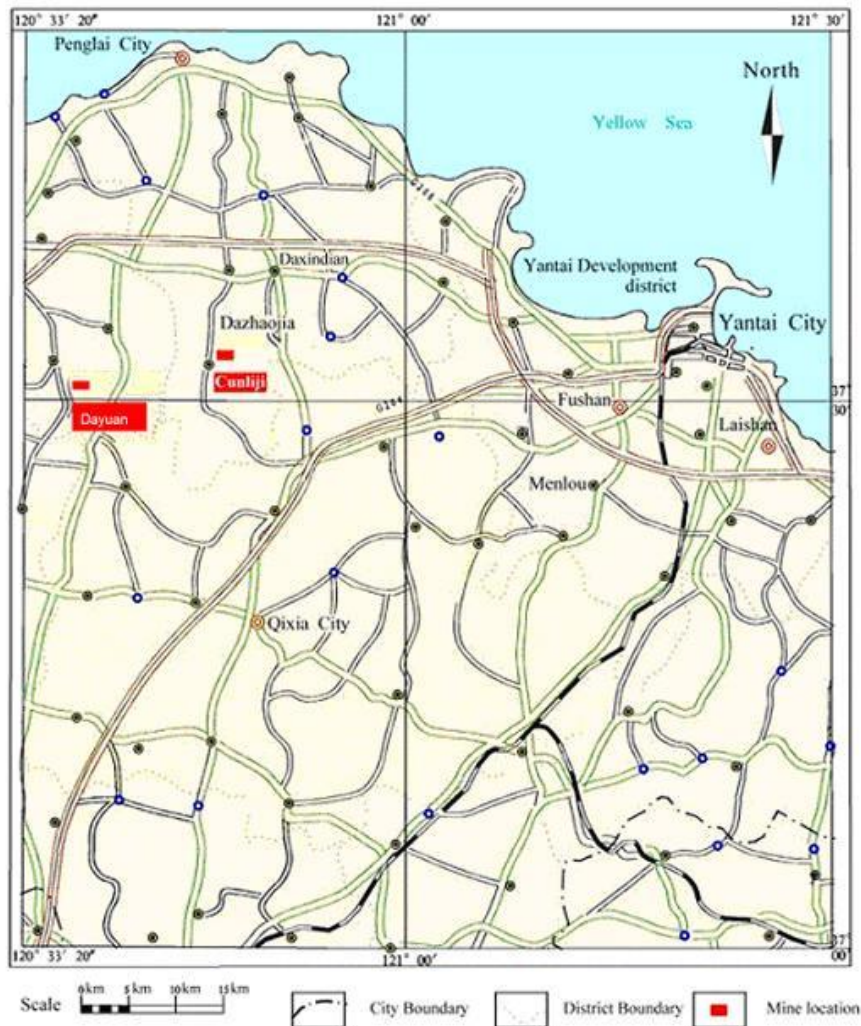
2. Exclusive Option Agreement - SBCL has the option to purchase all of the assets and ownership of SSIC, JinGuan and DYM at any time.
3. Equity Pledge Agreement, - SSIC, JinGuan and DYM agree to pledge their legal interests to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement - SSIC, JinGuan and DYM irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder rights.
5. Operating Agreement, - SBCL agrees to participate in the operations of SSIC, JinGuan and DYM in different aspects.

NOTE: All of the aforesaid agreements were signed and effective on May 15, 2010, except the ones signed with DYM which were signed and effective on February 21, 2014. Also, a former VIE, XinGuan (which held the Cunliji mine), was sold to two third parties on March 31, 2014 and as of that date XinGuan ceased to be a VIE in the group.

Location and Access

The Dayuan Mine is an underground mine located at the gold vein no.117 of Da Yuan mining area, Xia Ding Jia Town, Longkou City of Shandong Province in the PRC covering a site area of 0.3475sq. km. The geological coordinate of the mine is EL120°31'17" ~ EL120°31'52" and NL37°28'32" ~ NL37°29'16".

The Dayuan mine is located on northern low foothill of Luo Shan, 20 km south of Huang Cheng of Longkou city. Longkou city is under the administration of Xia Ding Jia Town of Longkou city. The Dayuan Mine is easily accessible by interlinked highways including Zhao-Huang Highway (running from Zhao Yuan city to Huang Cheng city) on the west, 12 km from Highway 206 on the north, 15 km from Tong-San Highway (running from Tong Jiang city to Sanya city) on the east, 30 km from Longkou Port in the northwest and 11 km from the Wen-San Highway (running from Wen Deng city to San Shan Dao) on the south. Access to the underground workings at the Dayuan Mine is via a ramp from the surface and connecting numerous levels.



Map Of Yantai City Date: March 1, 2011

Source of Power and Water:

The electricity supply in the DY-117 Mine Area is mainly provided by East China Grid, with 500 kilo voltage of transmission base located close to the Dayuan Mine. The quaternary unconfined aquifer layer nearby the Dayuan Mine represents the source of water supply.

Plant and Equipment of the Dayuan Mine (Modernization and Physical Conditions):

We purchased all equipment, infrastructure and facilities of the Dayuan Mine from Longkou Datong Industry and Trade Co., Ltd. at RMB 15,000,000 based on a Memorandum of Understanding for Equipment Transfer signed on March 8, 2011. All equipment, infrastructure and facilities of the Dayuan Mine are believed in good condition and have been periodically upgraded.

Type of claim :

The gold in the mining area is deposited in a lode or vein filled with mineral in the rock. The mining claim in the Dayuan Mine is granted by the Land and Resources Authority of Shandong Province and is unpatented.

Identifying Information of the Dayuan Mine:

Mining Right:

Mining license no.: C3700002008094120000887

Gold mining ratification: Gold-State Approval (2012) No.14

Concession period: From 29 December 2010 to 29 December 2013

Exploration license no.: 3700000310175

Safety production license: (Shandong Approval) FM Safety (2008) 06-0216

Safety production license: (Shandong Approval) FM Safety (2008) 06-0197

Area of the Dayuan Mine:

DY-117-(1) Mine Area: 92.54 acres

DY-117-(2) Mine Area: 69.188 acres

Regional Geology

The Dayuan Mine is located at the northwest of Jiaodong Peninsula. Jiaodong refers to east of Jiaolai River in Shandong province, including Yantai, Weihai and the eastern Qingdao, which together constitute the major part of Shandong Peninsula. The region is simple in term of geological structure, consisting of loose sedimentary rock at the valley and widespread igneous rock, mainly granite, which gradually developed into mineral veins (principally diorite porphyry) of different phases. Fault zones were developed in the region, with the Potouqing Fracture as the main fault zone in the area. Vein no. 117 belongs to one of the secondary fault structures of Potouqing Fracture. The overall

strike of this vein is 45°, dipping 76°~ 85° towards SE, with 1800m in length above ground level, of which 580m in length is within the Dayuan Mine.

Rock Formations and Mineralization :

The Dayuan Mine is an underground gold mine. It is on the Zhaoyuanmetallogenic zone, which belongs to the northern rim of Linglong Gold Field. The formation stemmed from the southern side on the main fault zone of the Linglong Gold Field. The mineral ore resources are mainly gold, pyrite. Other minerals are galena, chalcopyrite, sphalerite, quartz, sericite, feldspar and chlorite.

The DY-117 Mine Area consists of one gold vein numbered 117, consisting of 2 ore bodies, namely 117-(1) and 117-(2). Overall strike of the ore bodies is 45°, dipping 76°~ 85° towards SE. Ore body 117-(1) strikes 45° and with dipping 76°

85°towards SE. The tendency length of the ore body within the mine is 580m. The vein is continuous and even in thickness ranging from 0.25m to 1.23m, with an average of 0.65m. Gold grade of the ore body ranges from 1.36 Au g/ton to 9.87 Au g/ton, with an average of 4.44 Au g/ton. Ore body 117-(2) strikes 45° to 65° and with dipping 66°~ 77°towards NW. Its NE end is merged with the ore body 117-(1). The tendency length of the ore body is also 580m.

The vein is continuous and even in thickness ranging from 0.24m to 1.34m, with an average of 0.66m. Gold grade of the ore body is estimated to range from 1.54 Au g/ton to 12.12 Au g/ton, with an average of 5.07 Au g/ton.

Work Completed and Present Conditions:

Both 117-(1) and 117-(2) ore bodies are explored using vertical drilling wells and are open up to a depth of 610m. The DY-117 Mine Area consists of 6 plots with elevation of 200m, 160m, 120m, 90m, 50m and 10m respectively. The ore bodies at elevation of 50m and 10m were completely mined. Currently, there is no exploratory work at the Dayuan Mine.

Equipment, Infrastructure and Other Facilities of the Dayuan Mine:

Mining equipment of the Dayuan Mine mainly includes exploration machinery, ore mining machinery and mineral processing machinery. The machinery includes drillers, belt conveyor, lift trucks, mining crusher, grinding mill, revolving screens, sand washer, etc. Site infrastructure includes roads, water supply system, electric supply system, warehouses, living quarters, dining facilities and an administration building.

Current State of Exploration :

As of the date of this report, the Dayuan Mine property is without known reserves.

The Dayuan Mine commenced exploratory operation in July 2011. Mineral exploration was temporary halted in the Dayuan Mine Area in March 2013 and December 2013.

According to national requirements upon production ramp-up and technical updating of mines, the production capacity should be increased from 30,000 tons/year to 60,000 tons/year, besides the safety facilities should be updated in order to meet the national standards, which has made the normal production impossible in 2015, in addition the subsequent technical updating is expected to continue to the first half of the year in 2016.

The Dayuan Mine is currently at the exploratory stage. We have no detailed plan or timetable to explore the property at this time. So far, we do not have any plan to fund the exploration program of this mine.

Description of Processing Facilities :

The processing facilities at Dayuan Mine Area include a set of 12 processing machines consisting of ball mills, jiggers, screw classifiers, stirring tanks, flotation machine, belt conveyors, concentrator and pressure filter. The raw ore is processed into gold concentrates through the following procedures.

Primary grinding takes place in a ball mill. The ground product from the primary grinding process is first put through a jigger to recover the coarse gold particles then classified in a screw classifier. Classifier underflow goes back to the ball mill. The overflow, sized at about 85% less than 0.074 mm, is then sent to flotation; Flotation comprises a rougher stage and four cleaner stages on the rougher concentrate as well as three scavenger flotation stages to yield the final concentrates; The final concentrates are then dehydrated by thickening and the thickener underflow is then filtered.

Sample Collection, Preparation, Analysis and Assay Control

A systematic procedure was developed for the collection and preparation of percussion drill hole samples. We firstly identify gold bearing zones by collecting rock chip samples from favorable locales for gold mineralization with reference to related literature survey and the geological map of the mines. The target areas will be explored by trenching and rock-chip sampling.

Depending on the sampling results, the target areas are demarcated for detailed sampling in three-dimension. The rock sample produced from drilling are dry chips of drilled rock, which is obtained from drill holes at equidistance. Each sample was about 1.0 meter in length, and not longer than 1.5 meter. The samples are all taken by, or under the supervision of our geological experts. Based on the three-dimension sampling of the gold-bearing zone (ore body), i.e. length, width, depth and grade, a global resource of the gold deposit is estimated.

Exploration geologists analyze and log the sample to ascertain the prospective mineralisation within the drilled orebody. A representative sample is taken from the sack, and is sieved to remove excess dust. Once the desired sample has been washed and dried, exploration geologists will note the weight percentage of the desired minerals in the sample. The samples will be stored in plastic cutting boxes before further chemical analysis offsite. Samples of rocks or soil are then delivered to accredited laboratories for geochemical assay to determine metal contents and detect geochemical anomalies. One of our accredited laboratories is Shandong Zhaojin Geological Exploration Co., Ltd. ("Shandong Zhaojin") Shandong Zhaojin. is granted the license for mineral exploration, geological drilling and exploration and geological testing by Shandong Provincial Land Resources Department under the PRC government. For geochemical assay, rock and soil samples are crushed, powdered, fused or digested in acid and then analyzed using different analytical methods. Since there is always some loss of gold during the analytical procedure, the gold

grade in the sample is believed unlikely to be overstated. All samples were collected, handled and analyzed by Shandong Zhaojin using the standard preparation procedures in accordance with the national standard GB/T1900-ISO9000 "Quality management and quality assurance", which is considered adequate for the preliminary level of evaluation. Quality control of all mine exploration projects in China is executed under the administration of local exploration regulations, provincial regulations on exploration projects.

Our Proposed Business Strategy

Currently, most privately-owned gold mines in China are poorly managed and operated and are usually mined to a depth of about 300 - 500 meters, far beyond a valid exploration analysis of about 200~300 meters. Mining and exploration activities are generally done without any systematic planning and/or analysis. This often leads to high waste of exploration / mining inputs and results in inefficient operations with low productivity. We intend to re-engineer and redevelop our mining targets through the transfer of advanced exploration and mining technologies to identify the geological features and locations of the ore bodies, as well as the formation trends of associated mineral veins. We feel that the proposed business strategies of our experienced management team will provide a better solution to mine the ore bodies in a more efficient and productive way. Our mining solutions include mining data collection and analysis, identification of ore locations and running trends of veins, design of exploration and mining plans, on-site mine construction planning, formulation and customization of mining methodologies, introduction of modern exploration and mining technologies to increase productivity, supervision of subcontracting staff and provision of technical supports in relation to production management, mine ventilation, water discharge, system upgrade, quality assurance, safety control, etc. Our current mineral exploration subcontractor is only responsible for the actual underground exploration works like digging tunnels, underground transportation and mine extraction, and does not participate in any works related to mine planning, data analysis, site identification and operational management.

Future potential mining projects

We target to grow proactively through continual sourcing of existing gold mines in the PRC and managing them. Before investing in a potential mining project, we intend to go through a series of procedures for preliminary assessment in order to determine the amount of minerals, if any, and therefore whether the subject property should be acquired, based on the economic viability of extracting the potential minerals and profitably processing them. To do so, we intend to engage geotechnical professionals to conduct such assessments and analyses.

We primarily base on two standard criteria to assess potential acquisition targets. Firstly, whether the target mine is located on the major gold mineralization zone; Secondly, whether the potential mine is located in an area with a "policy-friendly environment" in which we can operate the mine smoothly under a favorable policy environment.

In July 2013, the Yantai local government informed the Company that the Shandong Province has promulgated a new local regulation. The regulation stated that all underground mines in the territory which has a production of under 40,000 tonnes per year will all be forced to close down before the end of 2015. As such, since Cunliji Mine falls within the category, the Company decided to sell the mine for money and to invest in mines in other territories, which includes investing in mine exploration areas, and, acquiring or leasing some tailings environmental protection projects.

On 21st February 2014 SSIC acquired 99% shareholdings of Daxinganling Yiguanyuan Mining Investment Company Limited (“DYM”) for a consideration of RMB4,000,000. DYM focuses on mine exploration in the Daxinganling area in the Heilongjiang Province in north-eastern part of China. DYM has signed a Memorandum of Understanding with Daxinganling Guolin Mining Company Limited, a wholly-owned subsidiary of the Daxinganling local government in July 2013, which stated that the two parties would cooperate together to explore the precious metals mines in the Daxinganling area. As of December 31, 2016, no exploratory work or other operating activities have been commenced.

Procedures for assessing a potential acquisition:

- 1) Two standard criteria must be satisfied;
- 2) Perform geological works including field survey and field sampling;
- 3) Perform due diligence such as operations and facilities, financial and legal documents, human resources, etc.

Item 1A. Risk Factors

The following risk factors should be considered carefully in addition to the other information in this annual report.

RISKS ASSOCIATED WITH OUR COMPANY:

We are dependent on certain key personnel and loss of these key personnel could have a material adverse effect on our business, financial condition and results of operations.

Messrs. Feize Zhang, our principal executive officer, Tan Chengqing, our principal financial officer, and Lv Jingfeng, our principal technical officer have extensive contacts and experience in the gold exploration and natural resource industry in China and we are dependent upon their abilities and services to develop and market our business. They are responsible for overseeing all of our day-to-day business operations in the PRC of our operating company, BSL, and its subsidiaries and VIEs, including the mining operations and negotiations for the sales of any gold concentrates extracted. We may not be able to retain these executive officers/managers for any given period of time. The loss of their services could have a material adverse effect upon our business operations, financial condition and results of operations. In addition, we must attract, recruit and retain a sizeable workforce of technically competent employees in the PRC to run our mining operations. Our ability to effectively implement our proposed business strategies and expand our operations will depend upon the successful recruitment and retention of additional highly skilled and experienced management and other key personnel in the PRC. If we cannot maintain highly experienced and skilled management teams, our business could fail and you could lose any investment you make in our shares.

Since our business consists of managing gold mining projects, the drop in the price of gold would negatively impact our asset values, cash flows, potential revenues and profits.

We plan to pursue opportunities in properties with gold mineralized material or reserves with exploration potential. The price that we pay to lease these properties will be influenced, in large part, by the price of gold at the time of the leasing agreements. Our potential future revenues are expected to be derived from the production and sale of gold from these properties, or from the sale of some of these properties. The value of any gold reserves or other mineralized materials, and the value of any potential mineral production will vary in direct proportion to changes in those mineral prices. The price of gold has fluctuated widely as a result of numerous factors beyond our control. The

effect of these factors on the price of gold and other minerals, and therefore the economic viability of any of our projects, cannot accurately be predicted. Any drop in the price of gold and other minerals we may produce would negatively affect our asset values, cash flows and potential revenues and profits.

We may not be able to find commercially viable reserves.

Mineral exploration and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. The reserve estimates, if any, are based only on prefeasibility studies that are inherited with following drawbacks:

- Limited amount of drilling completed to date;
- The process testing is limited to small pilot plants and bench scale testing;
- Difficulty in obtaining expected metallurgical recoveries when scaling up to production scale from pilot plant scale;
- Preliminary nature of the mine plans and processing concepts;
- Preliminary nature of operating and capital cost estimates
- Metallurgical flow sheets and recoveries still in development;
- Limited history of prefeasibility studies that might underestimating capital and operating costs.

We cannot assure you that any future mineral exploration and development activities will result in any discoveries of proven or probable reserves as defined by the SEC. Further, we cannot provide any assurance that, even if we discover commercial quantities of mineralization, a mineral property will be brought into commercial production. Development of our mineral property will follow only upon obtaining sufficient funding and satisfactory exploration results.

Estimates of mineral reserves and of mineralized material are inherently forward-looking statements, subject to error, which could force us to curtail or cease our business operations.

Estimates of mineral reserves and of mineralized materials are inherently forward-looking statements subject to error. Unforeseen events and uncontrollable factors can have significant adverse impacts on the estimates. Actual conditions inherently differ from estimates. The unforeseen adverse events and uncontrollable factors may include: geologic uncertainties including inherent sample variability, metal price fluctuations, fuel price increases, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be predicted.

- **Geologic Uncertainty and Inherent Variability:** Estimated reserves and additional mineralized materials are generally derived from appropriately spaced drilling to provide a high degree of assurance in the continuity of the mineralization, however, there is generally variability between duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. There are also unknown geologic details that are not always identified or correctly appreciated at the current level of delineation. This results in uncertainties that cannot be reasonably eliminated from the estimation process. Some of the resulting variances can have a positive effect and others can have a negative effect on mining operations. Acceptance of these uncertainties is part of any mining operation.
- **Metal Price Variability:** The prices for gold, silver, copper and other precious metals fluctuate in response to many factors beyond anyone's ability to predict. The prices used in making the reserve estimates are disclosed and differ from daily prices quoted in the news media. The percentage change in the price of a metal cannot be directly related to the estimated reserve quantities, which are affected by a number of additional factors. For example, a ten percent (10%) change in price may have little impact on the estimated reserve quantities and affect only the resultant positive cash flow, or it may result in a significant change in the amount of reserves. Because mining occurs over a number of years, it may be prudent to continue mining for some period during which cash flows are temporarily negative for a variety of reasons, including a belief that the low price is temporary and/or the greater expense would be incurred in closing a property permanently.
- **Fuel Price Variability:** The cost of fuel can be a major variable in the cost of mining; one that is not necessarily included in the contract mining prices obtained from mining contractors but is passed on to the overall cost of operation. Future fuel prices and their impact are difficult to predict, but could force us to curtail or cease our business operations.
- **Variations in Mining and Processing Parameters:** The parameters used in estimating mining and processing efficiency are based on testing and experience with previous operations at the properties or on operations at similar properties. Various unforeseen conditions can occur that may materially affect the estimates. In particular, past operations indicate that care must be taken to ensure that proper ore grade control is employed and that proper steps are taken to ensure that the leaching operations are executed as planned. Unforeseen difficulties may occur in our current or future operations which would force us to curtail or cease our business operations.
- **Changes in Environmental and Mining Laws and Regulations:** Our reserve estimates contain cost estimates based on compliance with current laws and regulations in the PRC. While there are no currently known proposed changes in these laws or regulations, significant changes have affected past operations of mining companies in China and if additional changes do occur in the future, we may or may not be able to comply with them and continue our operations.

We may not be able to successfully compete with other mineral exploration and mining companies.

We compete with other mineral exploration and mining companies or individuals, including large, well established mining companies with substantial capabilities and financial resources in the PRC, to research and acquire rights to mineral properties containing gold and other minerals. There is a limited supply of desirable mineral lands available

for claim staking, lease or other acquisition in the PRC. We don't know if we will be able to successfully acquire any prospective mineral properties against competitors with substantially greater financial resources than we have. If we cannot successfully acquire other mining properties to manage and explore and generally expand our business operations, our results of operations, financial condition and future revenues could be reduced and you could suffer a loss of any investment you make in our shares.

We are subject to the many risks of doing business internationally, including but not limited to the difficulty of enforcing liabilities in foreign jurisdictions.

We are a Nevada corporation and, as such, are subject to the jurisdiction of the State of Nevada and the United States courts for purposes of any lawsuit, action or proceeding by investors. An investor would have the ability to effect service of process in any action against the Company within the United States. In addition, we are registered as a foreign corporation doing business in Shandong Province, PRC, and as such, are subject to the local laws of Shandong Province governing an investors' ability to bring actions in foreign courts and enforce liabilities against a foreign private issuer, or any person, based on U.S. federal securities laws. Generally, a final and conclusive judgment obtained by investors in U.S. courts would be recognized and enforceable against us in the Shandong Province courts having jurisdiction without re-examination of the merits of the case.

Investors may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based upon U.S. laws, including the federal securities laws or other foreign laws against us or our management.

All of our current operations are conducted in the PRC and all of our directors and officers are nationals and residents of China. All or substantially all of the assets of these persons are located outside the United States and in the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon these persons. In addition, uncertainty exists as to whether the courts of China would recognize or enforce judgments of U.S. courts obtained against us or such officers and/or directors predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in China against us or such persons predicated upon the securities laws of the United States or any state thereof.

All of our assets are located in China and all of our revenues are derived from our operations in China. As a result, any changes in the political climate and/or economic policies of the PRC government could have a significant impact upon our current and proposed future business operations in the PRC and our results of operations and financial condition.

Our business operations may be adversely affected by the current and future political and economic environment in the PRC. The PRC has operated as a socialist state since the mid-1900s and is controlled by the Communist Party of China. The Chinese government exerts substantial influence and control over the manner in which we must conduct our business activities. The PRC has only permitted provincial and local economic autonomy and private economic activities since the late 1970s. The government of the PRC has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to successfully operate in China may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, import and export tariffs, raw materials, environmental regulations, land use rights, property and other

matters. Under current leadership, the government of the PRC has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization; however, if the PRC significantly alters any of its current policies, with or without notice, it could have a substantial adverse effect on our results of operations and financial condition and could result in a total loss of any investment you make in our shares.

We are employing a VIE structure, which could materially adversely affect our business operations if current regulations change in the PRC regarding VIE's.

In order to comply with PRC regulatory requirements, we operate our businesses operations through companies in the PRC with which we have contractual relationships, but in which we do not have controlling ownership. We cannot be sure that the PRC government will continue to view our operating arrangements to be in compliance with PRC regulations if any new laws

regarding operating businesses in the PRC through VIEs may be adopted in the future. If we are determined not to be in compliance, the PRC government could levy fines, revoke our business and operating licenses, require us to discontinue or restrict our operations, restrict our right to collect revenues, require us to restructure our business, corporate structure or operations, impose additional conditions or requirements with which we may not be able to comply, impose restrictions on our business operations or on our customers, or take other regulatory or enforcement actions against us that could be harmful to our business.

In addition, our Exclusive Option Agreement with SSIC, JinGuan and DYM and its shareholders gives our Chinese subsidiary, SBCL, the option to purchase all or part of the equity interests in them. The option may not be exercised by SBCL if the exercise would violate any applicable laws and regulations in China or cause any license or permit held by, and necessary for the operation of SSIC, JinGuan and DYM, to be cancelled or invalidated. Under the laws of China, if a foreign entity, through a foreign investment company that it invests in, acquires a domestic related company, China's regulations regarding mergers and acquisitions may technically apply to the transaction. If these regulations apply, an examination and approval of the transaction by China's Ministry of Commerce ("MOFCOM"), or its local counterparts would be required. In addition, an appraisal of the equity interest or the assets to be acquired would also be mandatory. Since the scope of business activities (mining operations and consulting services), as defined in the business license of SBCL, does not involve the MOFCOM approval and monitoring, we do not believe at this time that an approval or an appraisal is required for SBCL to exercise its option to acquire SSIC, JinGuan and DYM. In light of the different views on this issue, however, it is possible that the central MOFCOM office in Beijing will issue a standardized opinion imposing the approval and appraisal requirement. If we are not able to purchase the equity of SSIC, JinGuan and DYM, then we will lose a substantial portion of our ability to control SSIC, JinGuan and DYM and our ability to ensure that SSIC, JinGuan and DYM will act in our interests. Our business in the PRC could be materially adversely affected if there are any changes to current regulations in the PRC which would affect our business operations and current business agreements with our PRC operating company and its subsidiaries and VIEs, resulting in a loss of any investment you make in our shares.

Our principal stockholder, who is also an officer and director of our Company, has conflicts of interest which may not always be resolved favorably to our Company and its stockholders.

We operate our businesses in China through SSIC, JinGuan and DYM. Our chairman, CEO and principal shareholder, Mr. Feize Zhang, owns 70% of the equity interest in SSIC. Conflicts of interests between his duties to us and to SSIC

may arise. We cannot assure you that if and when conflicts of interest arise, he will act in the best interests of our Company, or that any conflict of interest will be resolved in our favor. These conflicts may result in management decisions that could negatively affect our operations and potentially result in the loss of opportunities.

We could be subject to tax consequences in the PRC that could negatively impact our business operations, revenues and results of operations.

Our arrangements with SSIC, JinGuan and DYM and its shareholders may be subject to a transfer pricing adjustment by the PRC tax authorities which could have an adverse effect on our income and expenses. We could face material and adverse tax consequences if the PRC tax authorities determine that our contracts with SSIC, JinGuan and DYM and its shareholders were not entered into based on arm's length negotiations. If the PRC tax authorities determine that any of our contractual arrangements in the PRC were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. Such an adjustment may require that we pay additional PRC taxes plus applicable penalties and interest, if any, which could materially affect our financial condition and resulting revenues.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, we are required to maintain records that accurately and fairly represent our transactions and have an adequate system of internal accounting controls. Foreign companies, including some that may compete with us, are not subject to these prohibitions, and therefore may have a competitive advantage over us. Our executive officers and employees have not been subject to the United States Foreign Corrupt Practices Act prior to 2010. We have no control over whether our employees or other agents will or will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

The PRC laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such PRC laws and regulations may have a material and adverse effect on our business.

The PRC's legal system is a civil law system based on written statutes, in which system-decided legal cases have little value as precedents unlike the common law system prevalent in the United States. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and/or criminal proceedings. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties that are unclear at this time. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively.

We are considered a “foreign persons” or “foreign funded” enterprise under PRC laws, and as a result, we are required to comply with PRC laws and regulations. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses. If the relevant authorities find us in violation of any PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- levying fines;
- revoking our business and other licenses;
- requiring that we restructure our ownership or operations; and/or
- requiring that we discontinue any portion or all of our business operations in the PRC.

Mining risks and insurance could negatively effect on our profitability.

The business of mining for gold and other metals is generally subject to a number of risks and hazards including environmental hazards, industrial accidents, labor disputes, unusual or unexpected geological conditions, pressures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, blizzards and earthquakes. At the present time, we have in effect statutory required social insurance for all employees and mine workers and have obtained additional accidental insurance. There is currently no other insurance in place for the mining site and management and even if we were to purchase additional insurance, we can't be sure that such insurance would be available to us or that we could afford the premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. In addition, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to companies in the mining industry on acceptable terms. We might also become subject to liability for pollution or other hazards which we may not be insured against, or which we may elect not to insure against, because of premium costs or other reasons. Any losses from any of these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations, which could negatively impact any investment you make in our shares.

If we fail to maintain effective internal controls over financial reporting, the price of our common stock may be adversely affected.

PRC companies have historically not adopted a Western style of management and financial reporting concepts and practices, which includes strong corporate governance, internal controls and computer, financial and other control systems. In addition, we may have difficulty in hiring and retaining a sufficient number of qualified employees to work in the PRC. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet Western standards for foreign subsidiaries. As a result, we may experience difficulties in implementing and maintaining adequate internal controls as required under Section 404 of the Sarbanes-Oxley Act of 2002. This could result in significant deficiencies or material weaknesses in our internal controls which could impact the reliability of our financial statements and prevent us from complying with SEC rules and regulations and the requirements of the Sarbanes-Oxley Act of 2002. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting, disclosure of management's

assessment of our internal controls over financial reporting or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

Changes in interest rates could negatively impact our results of operations, stockholders' equity (deficit) and fair value of net assets.

Our investment activities and credit guarantee activities expose us to interest rate and other market risks. Changes in interest rates, up or down, could adversely affect our net interest yield. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, either can rise or fall faster than the other, causing our net interest yield to expand or compress. For example, due to the timing of maturities or rate reset dates on variable-rate instruments, when interest rates rise, our funding costs may rise faster than the yield we earn on our assets. This rate change could cause our net interest yield to compress until the effect of the increase is fully reflected in asset yields. Changes in the slope of the yield curve could also reduce our net interest yield.

Interest rates can fluctuate for a number of reasons, including changes in the fiscal and monetary policies of the federal government and its agencies, such as the Federal Reserve. Federal Reserve policies directly and indirectly influence the yield on our interest-earning assets and the cost of our interest-bearing liabilities. The availability of derivative financial instruments (such as options and interest rate and foreign currency swaps) from acceptable counterparties of the types and in the quantities needed could also affect our ability to effectively manage the risks related to our investment funding. Our strategies and efforts to manage our exposures to these risks may not be effective in the future, which could negatively impact our results of operations and the price of our common stock.

RISKS RELATED TO DOING BUSINESS IN CHINA:

Adverse changes in political and economic policies of the PRC government could impede the overall economic growth of China, which could reduce the demand for our products and damage our business.

We conduct substantially all of our operations and generate all of our revenues in China. Accordingly, our business, financial condition, results of operations and future revenue prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including:

- the higher level of government involvement;
- the early stage of development of the market-oriented sector of the economy;
- the rapid growth rate;
- the higher level of control over foreign exchange; and
- the allocation of resources.

As the PRC economy has been transitioning from a planned economy to a more market-oriented economy, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. While these measures may benefit the overall PRC economy, they may also have a negative effect on us.

Although the PRC government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the PRC government continues to exercise significant control over economic growth in China through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and imposing policies that impact particular industries or companies in different ways.

Any adverse change in the economic conditions or government policies in China could have a material adverse effect on the overall economic growth and the level of security and surveillance investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our business and prospects.

The PRC government exerts substantial influence over the manner in which we conduct our business activities.

The PRC government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, import and export tariffs, environmental regulations, land use rights, property and any number of other unknown matters. The PRC central or local governments of the jurisdictions in which we operate may impose new, stricter regulations or different interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China, or particular regions in China, and could require us to divest ourselves of any interest we then hold in Chinese properties or joint ventures. Any of these actions by the PRC government would severely and negatively impact our business operations and resulting revenues, which could result in a total loss of any investment you make in our shares.

Restrictions on currency exchange may limit our ability to receive and use our sales revenue effectively.

Most of our sales revenue and expenses are denominated in Renminbi. Under PRC law, the Renminbi is currently convertible under the "current account," which includes dividends and trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans. Currently, the PRC operating subsidiaries and VIEs of BSL may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future. Since a significant amount of our future revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in Renminbi to fund our business activities outside China that are denominated in foreign currencies.

Foreign exchange transactions by PRC operating subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including SAFE. In particular, if the PRC operating subsidiaries and/or VIEs of BSL borrow foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiaries and/or VIEs by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce, or their respective local counterparts. These limitations

could affect the PRC operating subsidiaries' and/or VIEs' ability to obtain foreign exchange through debt or equity financing, which could limit our business operations and impact our future revenues and financial condition.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident stockholders to personal liability, limit our ability to acquire PRC companies or to inject capital into the operating PRC subsidiaries and/or VIEs of BSL, limit BSL's PRC subsidiaries'/VIEs' ability to distribute profits to us or otherwise materially adversely affect us.

In October 2005, SAFE issued a public notice, the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, or the SAFE Notice, which requires PRC residents to register with the competent local SAFE branch before using onshore assets or equity interests held by them to establish offshore special purpose companies, or SPVs, for the purpose of overseas equity financing. Under the SAFE Notice, such PRC residents must also file amendments to their registration in connection with any increase or decrease of capital, transfer of shares, mergers and acquisitions, equity investment or creation of any security interest in any assets located in China to guarantee offshore obligations. Moreover, if the SPVs were established and owned the onshore assets or equity interests before the implementation date of the SAFE Notice, a retroactive SAFE registration is required to have been completed before March 31, 2006. If any PRC resident stockholder of any SPV fails to make the required SAFE registration and amended registration, the PRC subsidiaries of that SPV may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV. Failure to comply with the SAFE registration and amendment requirements described above could also result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Because of uncertainty over how the SAFE Notice will be interpreted and implemented, and how or whether SAFE will apply it to us, we cannot predict how it will affect our business operations or future strategies. For example, BSL's present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE Notice by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by the SAFE Notice. We also have little control over either our present or prospective direct or indirect stockholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with the SAFE Notice, if SAFE requires it, could subject these PRC resident beneficial holders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit BSL's subsidiaries'/VIEs' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations which became effective on September 8, 2006.

On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission or CSRC, promulgated the Regulation on Mergers and Acquisitions of Domestic Companies by Foreign Investors, which became effective on September 8, 2006. This new regulation, governs the approval process by which a PRC company may participate in an acquisition of assets or equity interests. Depending on the structure of the transaction, the new regulation will require the PRC parties to make a series of applications and supplemental applications to the government agencies. In some instances, the application process may require the presentation of economic data

concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction.

Government approvals will have expiration dates by which a transaction must be completed and reported to the government agencies. Compliance with the new regulations is likely to be more time consuming and expensive than in the past and the government can now exert more control over the combination of two businesses. Accordingly, due to the new regulation, our ability to engage in business combination transactions has become significantly more complicated, time consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our stockholders or sufficiently protect their interests in a transaction.

The new regulation allows PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to the Ministry of Commerce and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The regulations also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. The regulation also limits our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on financial terms that satisfy our investors and protect our stockholders' economic interests.

In addition to the above risks, in many instances, we will seek to structure transactions in a manner that avoids the need to make applications or a series of applications with Chinese regulatory authorities under these new M&A regulations. If we fail to effectively structure an acquisition in a manner that avoids the need for such applications or if the Chinese government interprets the requirements of the new M&A regulations in a manner different from our understanding of such regulations, then acquisitions that we have effected may be unwound or subject to rescission. Also, if the Chinese government determines that our structure of any of our acquisitions does not comply with these new regulations, then we may also be subject to fines and penalties.

Under the New EIT Law, we may be classified as a “resident enterprise” of China. Such classification will likely result in unfavorable tax consequences to us and our non-PRC stockholders.

China passed a new Enterprise Income Tax Law, or the New EIT Law, and its implementing rules, both of which became effective on January 1, 2008. Under the New EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The implementing rules of the New EIT Law define de facto management as “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. Because the New EIT Law and its implementing rules are new, no official interpretation or application of this new “resident enterprise” classification is available. Therefore, it is unclear how tax authorities will determine tax residency based on the facts of each case.

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a

rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest on offering proceeds and non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the New EIT Law and its implementing rules dividends paid to us from BSL's PRC subsidiaries/VIEs currently qualify as "tax-exempt income," we cannot guarantee that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which a 10% withholding tax is imposed on dividends we pay to our non-PRC stockholders and with respect to gains derived by our non-PRC stockholders from transferring our shares. We are actively monitoring the possibility of "resident enterprise" treatment for the 2009 tax year and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible. If we were treated as a "resident enterprise" by PRC tax authorities, we would be subject to taxation in both the U.S. and China, and our PRC tax may not be creditable against any U.S. taxes we may owe.

Fluctuations in exchange rates could adversely affect our business and the value of our securities.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. It is difficult to predict how long the current situation may last and when and how the RMB exchange rates may change going forward.

Our revenues and costs are mostly denominated in RMB, while a significant portion of our financial assets are denominated in U.S. dollars. At the Cayman Islands holding company level, we rely entirely on dividends and other fees paid to us by our subsidiaries and consolidated affiliated entities in China. Any significant revaluation of RMB may materially and adversely affect our cash flows, revenues, earnings and financial position. For example, an appreciation of RMB against the U.S. dollar would make any new RMB denominated investments or expenditure more costly to us, to the extent that we need to convert U.S. dollars into RMB for such purposes. An appreciation of RMB against the U.S. dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our U.S. dollar denominated financial assets into RMB, as RMB is our reporting currency. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our common stock.

We may be delayed by or unable to comply with government and environmental laws, rules and regulations related to our operations which could severely impact our business operations.

The mining industry is subject to extensive regulations by the PRC government. These regulations govern a wide range of areas, including, but not limited to, investments, exploration, production, mining rights, pricing, trading and investments. In addition, mining operations are subject to fees and taxes, as well as safety and environmental protection laws and regulations.

Our proposed mineral exploration programs will be subject to all of these extensive laws, rules and regulations. Various governmental permits will be required prior to implementation of proposed exploration operations. We are not assured of receiving any such permits as and when needed for operations, or at all. There is also no guarantee that new environmental or safety standards more stringent than those presently in effect will not be enacted in the future, which could negatively affect our exploration programs. Also, the industry often finds itself in conflict with the interests of private environmental groups which can have an adverse effect on the mining industry. Our planned exploration program budgets for regulatory compliance, however, there is always a risk that new regulations could increase our time and costs of doing business and prevent us from carrying out our exploration programs.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not currently own any properties.

The Company's headquarters is located in Futian District, Shenzhen, China. The office has been relocated. The new address is Suite 2606, Great China International Exchange Square, No 1 Fuhua Road, Futian District, Shenzhen, China. The monthly rental for the office is RMB 63,870, with a contract lease period from February 1, 2018 to January 31st, 2020.

Item 3. Legal Proceedings

We are not aware of any legal proceedings to which we are a party or of which our property is the subject. None of our directors, officers, affiliates, any owner of record or beneficially of more than 5% of our voting securities, or any associate of any such director, officer, affiliate or security holder are (i) a party adverse to us in any legal proceedings, or (ii) have a material interest adverse to us in any legal proceedings. We are not aware of any other legal proceedings that have been threatened against us.

Item 4. Mine Safety Disclosure

Not applicable.

PART II.

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

The Company is now quoting at OTC PINK for the symbol CHSO. Pursuant to a registration statement on Form S-1 filed with the SEC on July 1, 2010 and made effective on December 28, 2010, we closed the offering on October 30, 2011. This offering was the initial public offering of common stock of China Shouguan Mining Corporation.

Dividend Policy

We have never paid cash dividends and have no plans to do so in the foreseeable future. Our future dividend policy will be determined by our Board of Directors and will depend upon a number of factors, including our financial condition and performance, our cash needs and expansion plans, income tax consequences, and the restrictions that applicable laws and our credit arrangements then impose.

Recent Sales of Unregistered Securities

None.

Item 6. Selected Financial Data.

The following tables summarize our consolidated financial data for the periods presented. You should read the following financial information together with the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes to these consolidated financial statements appearing elsewhere in this Form 10-K.

	Years ended December 31,	
	2017	2016
Revenues, net	\$ (31,637)	\$ -
Cost of revenue		
Mining operating cost	(114)	(374,713)
Mining related depreciation and amortization	(1,298,103)	-
Total cost of revenue	(1,298,217)	(374,713)
Gross loss	(1,266,580)	(374,713)
Operating expenses:		
General and administrative	(700,087)	(4,607,159)
Total operating expenses	(700,087)	(4,607,159)
Loss from operations	(1,966,667)	(4,981,872)
Other income (expense) :		
Interest income	296	448
Interest expense	(433,048)	(392,294)
Loss before income taxes	(2,399,419)	(5,373,718)
Income tax expense	-	-
NET LOSS	<u>\$ (2,399,419)</u>	<u>\$ (5,373,718)</u>
Other comprehensive income:		(497,090)
- Foreign currency translation gain	(836,292)	
COMPREHENSIVE LOSS	<u>\$ (3,235,711)</u>	<u>\$ (5,870,808)</u>
Net loss per share– Basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

Balance Sheet Data:

	As of December 31,	
	2017	2016
Cash and cash equivalents	\$ (277,697)	\$ (68,134)
Total assets	\$ (1,135,141)	\$ (2,869,344)
Total liabilities	(12,971,229)	(11,385,527)
Total stockholders' deficit	(11,836,088)	(8,516,183)

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

Forward Looking Statements

This report contains forward-looking statements. All statements other than statements of historical facts contained in this report, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve

known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar words. These statements are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. We discuss many of the risks in greater detail under the heading "Risk Factors." Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this report.

This report also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other industry data. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified the statistical and other industry data generated by independent parties and contained in this report. In addition, projections, assumptions and estimates of our future performance and the future performance of the industries in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this report. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Plan of Operation

China ShouGuan Mining Corporation ("ShouGuan", "we" and the "Company") was incorporated in the State of Nevada on May 4, 2010. We are a holding company that conducts business operations through BSL, our operating company, and its subsidiaries and variable interest entities (VIEs) in Shandong Province in the People's Republic of China ("PRC").

Mr. Feize Zhang, our Chairman and CEO, Mr. JingFengLv, our CTO and Mr. Jianxi Yang, a director of YantaiJinGuan Investment Limited, founded SSIC in December 2008 and later in early 2009 established SSIC's subsidiaries JinGuan and XinGuan. These executive officers and managers are experts in China who specialize in mining technologies, mining resources management and financial and strategic management. Our primary focus is on acquiring existing gold mine projects in Shandong province of the PRC. These potential targets are mostly run with low productivity because of inadequate funds and primitive technologies. We plan to re-engineer and redevelop these gold mines through the transfer of advanced exploration and mining technologies, capital injection and effective management.

These advanced exploration and mining technologies include mining data collection and analysis, identification of ore locations and running trends of veins, design of exploration and mining plans, on-site mine construction planning, formulation and customization of mining methodologies, introduction of modern exploration and mining technologies, supervision of subcontracting staff and provision of technical supports in relation to production management, mine ventilation, water discharge, system upgrade, quality assurance, safety control, etc. The underground mining works,

like digging tunnels and wells and the underground transport of ore extracts will all be outsourced to third party subcontractors.

Our business model includes sourcing of early stage gold mines with good profit potential, conducting feasibility studies to identify suitable projects, leasing the suitable mining sites and facilities, and managing the mineral exploration operations on these selected sites, with the goal of acquiring the mine if the operations prove to be satisfactory, based on the review criteria set by our experienced management. To date, we have leased the Dayuan Mine. So far we do not have any plan to acquire the Dayuan Mine. In near future, we tend to focus our business on the exploratory work of these mines. In addition, we provide consulting services in areas related to mine exploration and geological analysis to our clients.

Under the specific requirements of the SEC's Industry Guide 7(a) 4(i), we are deemed as an exploration company principally engaging in gold mine exploration and exportation activities given our mines are without known reserves. Raw rocks containing gold mineral are dug from the gold mines that are owned or leased by us and are converted to gold concentrate through a number of physical processes.

Revenues are derived from the sales of gold concentrates, the principal raw material used in gold smelting operation to produce gold. At that time, the selling prices are determined from two factors, the amount of gold in the gold concentrates and the price of gold on the date of sale. The amount of gold in the gold concentrates is determined and agreed between the Company and the smelters and then the selling price is determined according to the official gold price at the time of sale as indicated by the Shanghai Gold Exchange (<http://www.sge.sh>), an entity governed by the PRC Government. In order to minimize the effect of fluctuations of gold price and to achieve better economies of scale in operations, the Company decides to focus more on mine exploration.

On the consulting side, revenues are derived on a project-by-project basis and payment is collected as we complete our services as outlined in the scope of each individual project. In the coming years, we expect there will be more projects on exploratory consulting services.

We target to grow proactively through continual sourcing of existing gold mines in the PRC and managing them. These projects will be executed by BSL and its subsidiaries, VIEs or related companies in China. Cunliji Gold Mine was the first project commenced in May 2009. To ensure all mines are legally and properly operated, all target gold mines are required to have full sets of government-approved licenses before effecting commencement of any business operations.

There is a limited supply of desirable gold mines in the PRC and we face strong competition for gold mining rights from other gold mining companies, most of which have greater financial resources than we have, so we may not be able to acquire any attractive gold mining rights we find on acceptable terms.

Mining rights are amortized based on actual units of production over estimated proven and/ or probable reserves of the mines, subject to impairment. We intend to carefully review the mineral exploration plans and the reserve levels of our mines periodically. Accordingly, any material change in mineral exploration s may have a negative impact on our operating results.

Our mineral exploration activities are subject to a number of risks and hazards typical in the mining industry, including:

- environmental hazards;
- industrial accidents;
- unusual or unexpected geologic formations;
- explosive rock failures; and
- flooding and periodic interruptions due to inclement or hazardous weather conditions.

Any such risks could result in:

- damage to or destruction of mineral properties or production facilities;
- personal injury or death;
- environmental damage;
- delays in mining;
- monetary losses; and
- legal liability.

In addition, during the course of mineral exploration activities, we use dangerous materials. We have established stringent rules relating to the storage, handling and use of such dangerous materials, however, accidents could still occur. Should we be held liable for any such accident, we may be subject to penalties, and possible criminal proceedings may be brought against our Company, BSL, its subsidiaries and/or VIEs or any of the employees.

We emphasize environmental protection in our operations and related activities, and a significant financial commitment has been made towards the construction of environmental protection facilities and the establishment of a sound environmental protection management and monitoring system. We are currently in compliance with applicable environmental regulations of the PRC government, but any changes to these regulations may increase our operating costs, which could adversely affect our results of operations.

We are also subject to numerous PRC rules and regulations governing the mining industry, which are disclosed in detail in the Description of Business section of this report. Our inability to comply with any of these current or future rules and/or regulations could severely impact our operations and financial condition.

In addition, we provide mining management consulting services to third party clients as an additional source of revenue. We only provide mining consulting services to mine owners. We do not own, rent or participate in the mine operations of these clients. Instead, we utilize the described expertise of our management team to help clients assess their mine conditions and provide technical advice, guidance and suggestions to further improve management and operations of their mines, based on our management's experience.

Current Operations

On May 6, 2011, we, through our VIE, YantaiJinguan Investment Co., Ltd. (“Jinguan”), entered into a lease agreement with LongkouDayuan Gold Mining Co. Ltd., an unrelated third party being the legal owner and holding the mining license of the Dayuan Gold Mine (“Dayuan Mine”) regarding Dayuan Gold Mine. Under the agreement, we

agreed to pay the aggregate rental payments of approximately \$20 million for a term of 10 years commencing from April 1, 2011 through April 1, 2021 to obtain the right to manage and operate Dayuan Gold Mine in the repayment schedule, whereas we are committed to pay an upfront payment of \$12 million equal to 6 years' rental, no later than September 30, 2011 and the remainder will be paid no later than March 1, 2017. Concurrently, we entered into an equipment transfer agreement (the "Transfer Agreement") with Longkou Datong Industry and Trade Co., Ltd. for the acquisition of mining assets and auxiliary equipment currently being used in the Dayuan Gold Mine at a purchase price of approximately \$2.3 million.

Dayuan Mine

We do not own the Dayuan Mine. We leased the mine through Jinguan. The Dayuan Mine is currently owned by LongkouDayuan Gold Mining Co. Ltd. ("LDGM"). Based on the lease agreement signed by LDGM and Jinguan, LDGM leased the Dayuan Mine to Jinguan for a term of 10 years from April 1, 2011 to April 1, 2021 for a total rental payment of RMB130 million (approximately \$20 million). Jinguan was committed to pay an upfront payment of \$12 million no later than September 30, 2011 and the remainder will be paid no later than March 1, 2017. Under this agreement, we own the operating right and income right of the Dayuan Mine.

The Dayuan Mine has one exploration right and one mining right, which are granted by the Land and Resources Authority of Shandong Province and are unpatented. The concession period of the mining right is from 29 December 2010 to 29 December 2013. The mine is 0.3475 sq. km in area and is deposited in a lode or vein filled with mineral in the rock.

The Dayuan Mine commenced exploratory operation in July 2011.

Currently we derive our revenue from the sales of non-refined gold concentrates extracted from Dayuan Mine. Our expenses are mainly amortization of mining rights, the direct costs associated with the operation and overhead expenses such as staff salaries, smelting and extracting fee, depreciation of mining plants and other general administrative expenses.

At the moment, we are formulating an exploration plan and related timetable for the Dayuan mine. So far, there is no detailed plan to conduct exploration on the Dayuan Mine. The exploration programs of the mine are currently funded by the internal fund generated from our operations and we have no further plan to fund the exploration programs of the mine.

Results of Operations

We do not believe there have been any recent trends in production, sales, inventory, or the state of the costs or selling prices of our products since the financial year ending 2009, nor any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

The following table set forth key components of our results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016. All numbers referenced are in U.S. Dollars:

Year Ended December 31, 2017 compared to the Year Ended December 31, 2016:

	<u>Years ended December 31,</u>		Increase (Decrease)	% Increase (% Decrease)
	<u>2017</u>	<u>2016</u>		
Revenues, net	\$ (31,637)	\$ -	(31,637)	-
Cost of revenue			-	
Mining operating cost	(114)	(374,713)	(374,599)	(99.97%)
Mining related depreciation and amortization	(1,298,103)	(3,396,277)	(2,098,174)	-(61.78%)
Total cost of revenue	<u>(1,298,217)</u>	<u>(3,770,990)</u>	<u>(2,472,773)</u>	<u>(65.57%)</u>
Gross loss	<u>(1,266,580)</u>	<u>(3,770,990)</u>	<u>(2,504,410)</u>	<u>(66.41%)</u>
Operating expenses:				
General and administrative	(700,087)	(1,210,882)	(510,205)	(42.18%)
Total operating expenses	<u>(700,087)</u>	<u>(1,210,882)</u>	<u>(510,205)</u>	<u>(42.18%)</u>
Loss from operations	<u>(1,966,667)</u>	<u>(4,981,872)</u>	<u>(3,015,205)</u>	<u>(60.52%)</u>
Other income (expense) :				
Interest income	(296)	(448)	(152)	(33.93%)
Interest expense	(433,048)	(392,294)	(40,754)	(10.39%)
Loss before income taxes	<u>(2,399,419)</u>	<u>(5,373,718)</u>	<u>2,974,299</u>	<u>(55.35%)</u>
Income tax expense	-	-	NM	NM
NET LOSS	<u>\$ (2,399,419)</u>	<u>\$ (5,373,718)</u>	<u>(2,974,299)</u>	<u>(55.35%)</u>
Other comprehensive income:				
- Foreign currency translation gain	(836,292)	(497,090)	(339,202)	(68.24%)
COMPREHENSIVE LOSS	<u>\$ (3,235,711)</u>	<u>\$ (5,870,808)</u>	<u>2,635,097</u>	<u>(44.88%)</u>
Net loss per share– Basic and diluted				
	<u>\$ (0.08)</u>	<u>\$ (0.05)</u>	<u>(0.03)</u>	<u>66.92%</u>

NM: Not meaningful

Net Revenues

We commenced gold mineral exploration activity in May 2009 and began selling of gold concentrate in July 2009. Gold concentrate is mainly sold to smelting plants in the Shandong Province, PRC.

Revenue for the years ended December 31, 2017 and 2016 comprised the following:

	Years ended December 31,			
	2017	%	2016	%
Revenues, net	\$ 31,637	100%	\$ -	-
Cost of revenue				
Mining operating cost	(114)	0%	(374,713)	10%
Mining related depreciation and amortization	(1,298,103)	100%	(3,396,277)	-
Total cost of revenue	(1,298,217)	100%	(3,770,990)	90%
Mining gross loss	(1,266,580)		(,3770,990)	
Gross loss margin	NM		NM	

NM: Not meaningful

There was no revenue for the year ended December 31, 2017 and 2016. We have ceased the operation in the Dayuan mine.

Cost of Revenue

Cost of revenue for the years ended December 31, 2017 and 2016 were \$374,713 and \$3,112,671 respectively, and consisted primarily of direct materials, direct labor, extracting fees, other operating overhead, and mining related depreciation and amortization.

Gross Loss

We recorded a mining gross loss of \$1,266,580 for the year ended December 31, 2017, an decrease of \$2,504,410 or 88%, from gross loss of \$3770,990 for the year ended December 31, 2016. The decrease was mainly attributable to decrease in mining related depreciation and amortization in 2017.

General and Administrative Expenses

General and administrative expenses comprised mainly of impairment charge and salaries and staff welfare expenses, legal and professional fees, entertainment expenses, traveling and hotel accommodation expenses and office expenses. General and administrative expenses for the year ended December 31, 2017, decrease by \$510,795 or 42.18%, from 1,210,882 for the year ended December 31, 2016 to \$700,087 for the same comparable period in 2017, it is because of the reduced gold mine project activity decrease management cost..

Income Tax Expense

There was no income tax expense for the year ended December 31, 2017 and for the years ended December 31, 2016.

Net Loss

We recorded a net loss of \$2,399,419 for the year ended December 31, 2017, decrease by \$2,974,299 from a net loss of \$5,373,718 for the year ended December 31, 2016. The reduction in net losses was mainly due to a reduction in overall and administrative management and depreciation of project equipment.

Liquidity and Capital Resources

Our primary liquidity needs are to fund operational expenses, capital expenditures and potential acquisition of gold mining properties in the Shandong province. To date, we have financed our working capital requirements and capital expenditures through internally generated cash and capital contribution from our existing shareholders.

As of December 31, 2017, our current assets were \$1,135,141 and our current liabilities were \$12,971,229. Cash and cash equivalents totaled \$277,697 as of December 31, 2017. Stockholders' deficit at December 31, 2017 was \$11,836,088.

Net cash used in operating activities was \$749,848 and \$2,006,116 for the years ended December 31, 2017 and 2016, respectively as compared to net cash used in operating activities of \$2,006,116 for the year ended December 31, 2016. Net cash used in operating activities decrease by \$1,256,268 was primarily due to a reduction in net losses.

Net cash used in investing activities was \$0 and \$3,128 for the years ended December 31, 2017 and 2016 respectively. Net cash used in investing activities decreased by \$3,128 was primarily due to the absence of payment on leased mining rights in 2017.

Net cash provided by financing activities was \$5,542,165 and \$1,972,422 for the years ended December 31, 2017 and 2016, respectively. Net cash provided by financing activities increased by \$3,569,743, primarily due to the increase in repayments to loans payable.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, financings or other relationships.

Statutory Reserve

Under the PRC Law, the Company, BSL and its subsidiaries and variable interest entities in the PRC are required to make appropriation to the statutory reserve based on after-tax net earnings and determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP"). Appropriation to the statutory reserve should be at least 10% of the after-tax net income until the reserve is equal to 50% of the registered capital. The statutory reserve is established for the purpose of providing employee facilities and other collective benefits to the employees and is non-distributable other than in liquidation.

For the years ended December 31, 2017 and 2016 the Company contributed \$0 and \$0 to statutory reserve, respectively.

Commitments and Contingencies

We are committed under several non-cancelable operating leases for office premises with the terms ranging from 1 to 2 years, with fixed monthly rentals or scheduled payments. Total rent expenses for the years ended December 31, 2017 and 2016 was \$114,413 and \$133,163, respectively.

As of December 31, 2016, we have the aggregate future minimum rental payments due under various non-cancelable operating leases in the next two years:

Year ending December 31,	
	-
2018	114,413
Total:	<u>\$ 114,413</u>

Subsequent Events

In accordance with ASC Topic 855, “*Subsequent Events*”, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, we have evaluated all events or transactions that occurred after December 31, 2017 up through the date we issued the audited consolidated financial statements.

A one for four reverse stock split was accepted by FINRA on March 13, 2017.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company’s results of operations and liquidity and capital resources are based on our audited consolidated financial statements for the years ended December 31, 2017 and 2016, which have been prepared in accordance with U.S. GAAP. In connection with the preparation of consolidated financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures. The assumptions, estimates and judgments included within these estimates are based on historical experience, current trends and other factors we believe to be relevant at the time the consolidated financial statements were prepared. On a regular basis, the accounting policies, assumptions, estimates and judgments are reviewed to ensure that the consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from the assumptions and estimates, and such differences could be material.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but are not limited to: (1) inventory costs and reserves; (2) asset impairments (3) and depreciable lives of assets. Future events and their effects cannot be predicted with certainty, and accordingly, accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We

evaluate and update these assumptions and estimates on an ongoing basis and may employ outside experts to assist us with these evaluations. Actual results could differ from the estimates that have been used.

Significant accounting policies are discussed in Note 3, Summary of Significant Accounting Policies, to the accompanying audited consolidated financial statements. We believe the following accounting policies are the most critical to aid in fully understanding and evaluating our reported financial results, as they require management to make difficult, subjective or complex judgments, and to make estimates about the effect of matters that are inherently uncertain.

Basis of Consolidation

The audited consolidated financial statements include the financial statements of the Company, BSL and its subsidiaries and VIEs. All inter-company balances and transactions between the Company, BSL and its subsidiaries and VIEs were eliminated upon consolidation. We adopted the Accounting Standards Codification (“ASC”) Topic 810-10-5-8, “Variable Interest Entities”. ASC Topic 810-10-5-8 requires a variable interest entity or VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIEs’ residual returns.

Variable Interest Entities (VIEs)

The Company, through BSL's subsidiary, SBCL, entered into a series of agreements (“VIE agreements”) with SSIC, JinGuan and DYM, and the individual owners of SSIC, JinGuan and DYM (see NOTE below), and details of the VIE agreements are as follows:

1. Exclusive Technical Service and Business Consulting Agreement, - SBCL has the exclusive right to provide to SSIC, JinGuan and DYM consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and DYM. SSIC, JinGuan and DYM pays to SBCL annually consulting service fees in an amount equal to all of their revenue for such year. These agreements run for a 10-year term and are subject to automatic renewal for an additional 10 years, provided that no objection is made by both parties on the renewal.
2. Exclusive Option Agreement - SBCL has the option to purchase all assets and ownership of SSIC, JinGuan and DYM at any time.
3. Equity Pledge Agreement - SSIC, JinGuan and DYM agree to pledge their legal interest to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement - SSIC, JinGuan and DYM irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder rights.

5. Operating Agreement - SBCL agrees to participate in the operations of SSIC, JinGuan and DYM

NOTE: All of the aforesaid agreements were signed and effective on May 15, 2010, except the ones signed with DYM which were signed and effective on February 21, 2014. Also, a former VIE, XinGuan (which held the CunliJi mine), was sold to two third parties on March 31, 2014 and as of that date XinGuan ceased to be a VIE in the group.

With the above agreements, SBCL demonstrates its ability to control SSIC, JinGuan and DYM as the primary beneficiary.

Impairment of Long-lived Assets

All long-lived assets such as property, plant and equipment held and used by the Company reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to estimated discounted net cash flows expected to be generated by the assets. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectibility is reasonably assured.

We derive revenues from the sales of non-refined gold concentrate, whereas it usually takes 6 days for the production from non-refined gold concentrate to gold bullion. We generally recognize revenues, net of value-added taxes ("VAT") at the time the gold bullion is produced and delivered to the customers, smelters and/or refineries.

We are generally subject to VAT which is levied on the majority of the products at the standard rate of 17% on the invoiced value of sales.; however, our VIE, PXIL has been granted preferential tax treatment under the Chinese tax law of the "Notice from Ministry of Finance and State Tax Bureau in Relation to Exemption of Value Added Tax on Gold Production" and "Notice regarding issues on Tax Policy on Gold Transaction", whereas gold produced and sold by gold mining and smelting enterprises are exempted from VAT.

Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to the following concentrations of risk:

(a) Interest rate risk

As we have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest-rate risk arises from loans payable and short-term bank borrowings. We manage interest rate risk by varying the issuance and maturity dates variable rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. As of December 31, 2017, loans payable and short-term bank borrowings were at fixed rates.

(b) Exchange rate risk

Our reporting currency is US\$, to date the majority of the revenues and costs are denominated in RMB and a significant portion of the assets and liabilities are denominated in RMB. As a result, we are exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between US\$ and RMB. If RMB depreciates against US\$, the value of RMB revenues and assets as expressed in US\$ financial statements will decline. We do not hold any derivative or other financial instruments that expose to substantial market risk.

(c) Economic and political risks

Our operations are conducted in the PRC. Accordingly, our 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.

Our operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. Our results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

(d) Mining industry risks

Our mining operations are subject to extensive national and local governmental regulations in China, which regulations may be revised or expanded at any time. Generally, compliance with these regulations requires us to obtain permits issued by government regulatory agencies. Certain permits require periodic renewal or review of their conditions. We cannot predict whether it will be able to obtain or renew such permits or whether material changes in permit conditions will be imposed. The inability to obtain or renew permits or the imposition of additional conditions could have a material adverse effect on our ability to develop and operate its mines.

(e) Risk on changing price in gold

At present, the price of gold in the PRC is generally in line with the price of gold in the international market. There are many factors influencing the price of gold in the international market, including the international economic situation (in particular the economic situation in the US), petroleum prices, fluctuations in the exchange rates of the US dollar, fluctuations in the stock and other financial investment markets and various political, military, social and economic contingencies. These factors are beyond our control. Changes in the prices of the gold in the PRC and in the exchange rate of RMB as a result of these may adversely affect our operating results. Under the relevant PRC laws and regulations, hedging activities presently are not permitted in gold trading in the PRC market. We have not been involved in hedging transactions or any alternative measures to manage the potential price risk.

Item 8. Financial Statements

The financial statements for the year ended December 31, 2017 and 2016 are included here in their entirety and can be found at the end of this annual report immediately following the Signatures on page 56.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in or disagreements with accountants on accounting and financial disclosures for the year ended December 31, 2017, or since inception.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with the rules required by the SEC for information required to be disclosed, in this annual report, our management evaluated, with the participation of our Principal Executive Officer and Principal Financial Officer, the effectiveness and the operation of our disclosure controls and procedures. Based upon their evaluation of these disclosure controls and procedures, Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2017, our disclosure controls and procedures were effective for accumulating recording, processing, summarizing and communicating, to our management, to ensure timely decisions regarding disclosure information needed within the time periods specified in the SEC rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a - 15(f). Our internal control system was designed to provide reasonable assurance to our management and the Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework - Guidance for Smaller Public Companies (the COSO criteria). Based on our assessment we believe that, as of December 31, 2017, our internal control over financial reporting is not effective based on those criteria.

This report does not include an attestation report by our independent registered public accounting firm, regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the SEC that permits the Company to only provide management's report in this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the last quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

Directors of the corporation are elected by the stockholders to a term of one year and serve until a successor is elected and qualified. Officers of the corporation are appointed by the Board of Directors to a term of one year and serves until a successor is duly appointed and qualified, or until he or she is removed from office. The Board of Directors has no nominating, auditing or compensation committees at this time.

The name, address, age and position of our officers and directors is set forth below:

<u>Name and Address</u>	<u>Age</u>	<u>Position(s)</u>
Feize Zhang Suite 2606, Great China International Exchange Square, No.1 Fuhua Road, Futian District, Shenzhen, PR China	49	Chairman, Principal Executive Officer
JingfengLv Room 501-505, Lantian International Building, 59 Changjiang Road, Development District, Yantai, PR China	58	Chief Technical Officer
Chengqing Tan Suite 2606, Great China International Exchange Square, No.1 Fuhua Road, Futian District, Shenzhen, PR China	37	Principal Financial Officer

The persons named above are expected to hold said offices/positions until the next annual meeting of our stockholders. Mr. Feize Zhang is also the member and Chairman of the Board of Directors of the company. These officers and directors are the only officers, directors and promoters of our Company.

Background Information about Our Officers and Directors

Our management team, which includes our officers and directors, as well as sophisticated mining experts, have extensive mining industry experience and excellent working relationships with government departments, regulatory bodies, engineering and construction groups and suppliers across China. We also have a team of senior engineers specialized in geology, mining resources, mining and refinery.

Mr. Feize Zhang - Chairman and Principal Executive Officer

Feize Zhang has been the Principal Executive Officer and a Director of the Company since inception on May 4, 2010. On December 1, 2008, Mr. Zhang co-founded Shenzhen Shouguan Investment Ltd. (SSIC) with JinfengLv, an officer of the Company. SSIC is a VIE of BSL, the Company's wholly-owned subsidiary in the PRC. From July 2008 to

December 1, 2008, Mr. Zhang devoted all of his efforts on planning for the establishment of the Company. From December 2000 to June 2008, he was the CEO of CG Network Technology limited, a privately-held company engaged in the business of systems integration in Shenzhen, PRC, in which he was responsible for the strategic planning and overall management of the company. Mr. Zhang graduated from Central China Technology University with a Bachelor Degree in Mechanical and Electrical Technology in 2000 and is now an EMBA candidate of Tsinghua University. Mr. Zhang devotes full time to the business of our Company.

Mr. JinfengLv - Chief Technical Officer

JinfengLv has been the Chief Technical Officer of the Company since inception on May 4, 2010. Mr. Lv is a senior mining engineer with over 30 years of mining industry experience. Since 1976, Mr. Lv has been involved in numerous large-scale mine exploration and research projects in Shandong, China. He is a senior member of various mining-related associations in China including Chinese Gold Society, Chinese Rock Mechanics and Engineering Society, Chinese Society for Geodesy, Photogrammetry and Cartography. He is the Chief Engineer of YantaiJinGuan Investment Ltd, a committee member of the technical committee of Shandong Gold Society. Over the past years, Mr. Lv has published over 30 theses in academic periodicals and conferences in China, and received 6 awards in scientific achievements. On December 1, 2008, he co-founded Shenzhen Shouguan Investment Co., Ltd (SSIC) with Feize Zhang, an officer and director of the Company. SSIC is a VIE of BSL, the Company's wholly-owned subsidiary in the PRC. From September 2008 to December 1, 2008, Mr. Lv devoted all of his efforts on planning for the establishment of the Company. From September 2005 to September 2008, he was Senior Engineer at YantaiXinwan Mining Technology Co., Limited, responsible for mineral research and technical work on various mining projects. From December 1993 to August 2005, he was a Senior Engineer at the Yantai Gold Corporation in Yantai, China, a state-owned company, in which he was responsible for mineral research and technical work in the central and eastern parts of Shandong Province in the PRC. Mr. Lv graduated from China Northeastern University with a Bachelor Degree in Engineering Management in 1987. Mr. Lv devotes full time to the business of our Company.

Mr. Chengqing Tan - Principal Financial Officer

Mr. Tan joined the Company in February 2012 as the Accounting Manager of the Company. He holds a Bachelor of Enterprise Accounting degree from the Shenzhen University, PR China. He also holds the Intermediate Title of the Accounting Profession in PR China. Prior to joining the Company, Mr. Tan worked as the Accounting Manager in Shenzhen SanxinJingmeite Glass Co., Ltd. which affiliates with AVIC Sanxin Co., Ltd. from July 2008 to February 2012. Mr. Tan devotes 100% of his time to the business of our Company.

Key Employees

We have three key employees who are Mr. Chaoyang Liu, Mr. Degen Wu and Mr. Jinfeng Yu.

Mr. Chaoyang Liu - Vice General Manager / Senior Geological Engineer

Mr. Liu is the Vice General Manager of YantaiJinguan Investment Company and is responsible for the company's gold mine operation and investment management. He is a senior geological engineer with over 20 years of mining industry experience. Since 1990, Mr. Liu has been taken part in a number of the well-known mine exploration and research projects in China and positioned as technician or management. Before joining our company, he worked as an

investment manager in Shanghai Sheng Di Group from 2008 to 2012 and was responsible for project due diligence and post investment management. From 2005 to 2007, he worked at the Shanghai Jin Peng Yuan Irradiation Technology Co., Ltd., in which he was the production manager. During 1990 and 2005, he worked at China National Gold Corporation, a state-owned company, and held the position as technician in Qinling gold mine, a large-scale project in China. Mr. Liu was graduated from China University of Geosciences with a Bachelor Degree in Deposit Geology in 1990. Mr. Liu devotes full time to the business of our Company.

Mr. Degen Wu - Production Manager / Senior Geological Engineer

Mr. Wu is the production manager of our company and is responsible for mining and geological exploration work. He is a senior geological engineer with over 20 years of mining industry experience. Since 1989, Mr. Wu has been involved in numerous well-known mine exploration and research projects in China. Before joining our company, he has taken part in several mining and exploration projects owned by Xian Feng Mining Group from 2010 to 2012, including Dao Ping Lead and Zinc Mine in Guangxi Province China and Huang GuTun Lead and Zinc Mine in Inner Mongolia China. He was positioned as the general engineer and responsible for geological exploration works at Dao Ping Mine and was positioned as the general manager and responsible for mining production and exploration at Huang GuTun Mine. Under his lead, both of the two mines achieved major breakthrough in their exploration history. During August 2009 and April 2010, he was appointed general manager of the Niu Wei Po Gold Mine in Hunan Province China. Mr. Wu was graduated from China University of Geosciences with a Bachelor Degree in Mineral Exploration. Mr. Wu devotes full time to the business of our Company.

Jinfeng Yu - Manager of Technical Sector / Technical Survey Engineer

Mr. Yu has been the manager of the technical sector of our company since June 2009 and is responsible for the technical survey works and project approval. Mr. Yu has 24 years of mining industry experience in Shandong Province China. Being a technical survey engineer, he is a member of Shandong Provincial Gold Survey Association. Before joining our company, from 2007 to 2009, he was a technical director for Penglai Jin Ao Wan Mining Co., Ltd. and was responsible for technical management. From 2001 to 2007, he worked as the survey manager at Xin Cheng Gold Mine which was operated by Shandong Gold Corporation, a state-owned corporation, where he was responsible for underground survey technology. During 1989 and 2001, he was a survey technician at Xin Cheng Gold Mine, which was once under the administration of Chinese Ministry of Metallurgical Industry. Mr. Yu was graduated from the Wuhan Technical University of Surveying and Mapping with a Bachelor Degree in Surveying in 1989. He devotes full time to the business of our Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of our common stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes of ownership of our common stock. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

We intend to ensure to the best of our ability that all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners are complied with in a timely fashion.

Board Committees; Corporate Governance

The Board of Directors acts as the Audit Committee and the Board has no separate committees. We do not currently have an audit committee. We expect our Board of Directors to appoint an audit committee, a nominating committee and a compensation committee and to adopt charters relative to each such committee in the near future. We intend to appoint such persons to committees of the Board of Directors as are expected to be required to meet the corporate governance requirements imposed by a national securities exchange, although we are not required to comply with such requirements until we elect to seek listing on a national securities exchange.

Auditors; Code of Ethics; Financial Expert

We have adopted a Code of Ethics; however, we do not currently have an audit committee financial expert. However, our Chief Financial Officer qualifies as an audit committee financial expert.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
Feize Zhang CEO and Chairman (1)	2016	\$8,670	-	-	-	-	-	-	-
	2017	\$8,532	-	-	-	-	-	-	-
Chengqing Tan CFO (2)	2016	\$11,741	-	-	-	-	-	-	-
	2017	\$11,553	-	-	-	-	-	-	-
JingfengLv CTO (3)	2016	\$0	-	-	-	-	-	-	-
	2017	\$0	-	-	-	-	-	-	-

(1) Mr. Zhang's salary is RMB4,800 per month resulting in \$8532 and \$8,670 for 2017 and 2016, respectively.

(2) Mr. Chengqing Tan is RMB6,500 per month resulting in \$11,553 and \$11,741 for 2017 and 2016, respectively..

(3) No salary was paid to JingfengLv in 2017.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Option Awards					Stock Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards; Number of Securities Underlying Unexercised Options (#) Unearned			Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	
			Option Exercise Price	Option Expiration Date	Option Price			Units or Other Rights That Have Not Vested	Units or Other Rights That Have Not Vested
Feize Zhang	-	-	-	-	-	-	-	-	-
Tan Chengqing	-	-	-	-	-	-	-	-	-
JingfengLv	-	-	-	-	-	-	-	-	-

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Feize Zhang	\$8,532	-	-	-	-	-	-

Option Grants

There have been no individual grants of stock options to purchase our common stock made to any of the executive officer named in the Summary Compensation Tables.

Aggregated Option Exercises and Fiscal Year-End Option Value

There have been no stock options exercised by the executive officers named in the Summary Compensation Table.

Long-Term Incentive Plan (“LTIP”) Awards

There have been no awards made to a named executive officer in the last completed fiscal year under any LTIP.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. To date, no amounts have been paid to, or accrued to, our directors in such capacity.

Director Independence

Our securities are not currently traded on any public exchange and as such, we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent. We are not currently subject to corporate governance standards defining the independence of our directors, and we have chosen to define an “independent” director in accordance with the NASDAQ Global Market’s requirements for independent directors.

Under the NASDAQ rules, we have determined that as employees of our Company, none of our current directors qualify as an independent director.

Employment Agreements

We do not have any employment agreements in place with our officers and directors.

Certain Relationships and Related Transactions

We will present all possible transactions between us and our officers, directors or 5% shareholders, and our affiliates to the Board of Directors for their consideration and approval. Any such transaction will require approval by a majority of the disinterested directors and such transactions will be on terms no less favorable than those available to disinterested third parties.

Conflicts of Interest

We do not currently have any conflicts of interest by or among our current officers, directors, key employees or advisors. We have not yet formulated a policy for handling conflicts of interest; however, we intend to do so upon completion of our initial public offering and, in any event, prior to hiring any additional employees.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following information and Security Ownership Table set forth the total number of shares owned beneficially by our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The table also reflects what the percentage of ownership will be assuming completion of the sale of all shares in our initial public offering, which we can’t guarantee. The stockholder listed below has direct ownership of his shares and possesses sole voting and dispositive power with respect to the shares.

Name and Address of Beneficial Owner	Number of Shares	Percentage of Ownership
Feize Zhang Suite 2606, Great China International Exchange Square, No.1 Fuhua Road, Futian District, Shenzhen, PR China	27,510,000	23.9%
JingfengLv Room 501-505, Lantian International Building, 59 Changjiang Road, Development District, Yantai, PR China	-	-
Glory Knight International Limited (1) 4C, BLK 32, Parc Versailles, Tai Po, New Territories, Hong Kong	8,752,000	7.6%
All Officers and Directors as a Group	36,262,000	31.5%

- (1) Glory Knight International Limited is a limited partnership formed in the British Virgin Islands and is an unrelated third party, which purchased its shares in a private placement of our securities. Glory Knight is wholly owned by Mr. Poon-ho Chik, 4C, Blk 32, Parc Versailles, Tai Po, New Territories, Hong Kong. The shares were issued in reliance upon the exemption contained in Section 4(2) of the Securities Act of 1933. These securities were issued to unrelated parties of the registrant and bear a restrictive legend.

Future Sales by Existing Stockholders

A total of 15,000,000 shares have been issued to the existing stockholders, and are restricted securities, as that term is defined in Rule 144 of the Rules and Regulations of the SEC promulgated under the Act. Under Rule 144, such shares can be publicly sold, subject to volume restrictions and certain restrictions on the manner of sale, commencing six months after their acquisition. Any sale of shares held by the existing stockholders (after applicable restrictions expire) and/or the sale of shares purchased in our initial public offering (which would be immediately resalable after the offering), may have a depressive effect on the price of our common stock in any market that may develop, of which there can be no assurance.

Changes in Control

There are no arrangements, known to the Registrant, including any pledge by any person of securities of the Registrant which may at a subsequent date result in a change in control of the Registrant.

Securities Authorized for Issuance Under Equity Compensation Plans

None.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than as disclosed below, none of our present directors, officers or principal shareholders, nor any family member of the foregoing, nor any of our former directors, senior officers or principal shareholders, nor any family member of such former directors, officers or principal shareholders, has or had any material interest, direct or indirect, in any transaction, or in any proposed transaction which has materially affected or will materially affect us.

Director Independence

We are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent.

Since we are not currently subject to corporate governance standards relating to the independence of our directors, we choose to define an “independent” director in accordance with the NASDAQ Global Market’s requirements for independent directors (NASDAQ Marketplace Rule 4200). The NASDAQ independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company.

We do not have any independent directors under the above definition. We presently do not have an audit committee, compensation committee, nominating committee, executive committee of our Board of Directors, stock plan committee or any other committees.

Pre-Approval Policies and Procedures

Prior to engaging our accountants to perform a particular service, our audit committee obtains an estimate for the service to be performed. The audit committee in accordance with procedures for the company approved all of the services described above.

There have been no significant changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referenced in the preceding paragraph.

Tax fees consist of the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

All other fees consist of the aggregate fees billed for products and services provided by our independent auditors and not otherwise included in Audit Fees, Audit Related fees or Tax Fees.

Item 15. Exhibits.

(a) The following listed exhibits are filed as a part of this annual report:

Exhibit No.	Description
23.1	Consent of Auditors
31.1	Rule 13a-14(a)/15d-14(a) certification of Principal Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) certification of Principal Accounting Officer*
32.1	Certification pursuant to 18 USC, section 1350 of Principal Executive Officer*
32.2	Certification pursuant to 18 USC, section 1350 of Principal Accounting Officer*

The following exhibits marked with one asterisk have been omitted from this filing, are incorporated herein by this reference and can be found in their entirety in our original Form S-1 registration statement filed on July 2, 2010. The following exhibits marked with two asterisks have been omitted in this filing, are incorporated herein by this reference and can be found in their entirety in our Form S-1/A-1 filed on September 22, 2010. The following exhibits marked with three asterisks have been omitted in this filing, are incorporated herein by this reference and can be found in their entirety in our Form S-1/A-2 filed on October 26, 2010. All documents listed can be found on the SEC website at www.sec.gov under our CIK Number 0001493893.

Exhibit No.	Description
2	* Share Exchange Agreement
3.1	* Articles of Incorporation
3.2	* Bylaws
4	* Form of Common Stock Certificate
10.1	* Operating Lease Agreement for CunliJi Gold Mine
10.2	* Acquisition Agreement for CunliJi Gold Mine
10.3	* Option Agreement to Purchase Equity Interests by and among Shoujin Business Consulting (Shenzhen), Shenzhen ShouGuan Investment Limited, YantaiJinGuan Investment Limited and PenglaiXinGuan Investment Limited
10.4	* Equity Pledge Agreement
10.5	* Operating Agreement
10.6	* Exclusive Technical Service and Business Consulting Agreement
10.7	* Proxy Agreement
10.9	* Office Lease - Yantai, China
10.10	* Office Lease - Shenzhen, China
10.11	** Master Agreement between Penglai City Gold Mining Holding Co. Limited and PenglaiXinGuan Investment Limited
10.12	** Construction Project Agreement between PenglaiXinGuan Investment Limited and Jinhai Mine Underground Engineering Limited
10.12(a)	***Renewed Construction Project Agreement to extend one year term to August 28, 2011
10.13	** Gold Concentrate Processing Agreement between XinGuan and Shandong Humon Smelting Co., Ltd.
14	* Code of Ethics

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1933, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 14, 2018.

China ShouGuan Mining Corporation , Registrant

By: /s/ Feize Zhang

Feize Zhang, Chairman and Principal Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this report has been signed by the following persons in the capacities indicated on March 14, 2018.

China ShouGuan Mining Corporation, Registrant

By: /s/ Feize Zhang

Feize Zhang, Chairman and Principal Executive Officer

By: /s/ Chengqing Tan

Chengqing Tan, Principal Financial Officer

**CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)**

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CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2017 AND 2016
(Currency expressed in United States Dollars (“US\$”), except for number of shares)

	As of December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ (277,697)	\$ (68,134)
Accounts receivable	-	-
Amount due from a related party		(928,460)
Deposits and prepayments	(392,383)	(369,235)
Prepaid mining rights, current	-	-
Total current assets	(670,080)	(1,365,829)
Non-current assets:		
Prepaid mining rights, non-current	-	-
Property, plant and equipment, net	(465,061)	(1,503,515)
TOTAL ASSETS	\$ (1,135,141)	\$ (2,869,344)
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ (209,219)	\$ (115,255)
Loans payable, unsecured	(3,439,481)	(9,625,955)
Note payable, related party	(5,929,574)	(635,363)
Accrued liabilities and other payable	(3,392,955)	(490,260)
Total current liabilities	(12,971,229)	(10,866,833)
Non-current liabilities:		
Note payable, related party	-	(518,694)
Loans payable, unsecured	-	-
Total non-current liabilities	-	(518,694)
Total liabilities	(12,971,229)	(11,385,527)
Commitments and contingencies		
Stockholders' deficit:		
Common stock, \$0.0001 par value; 300,000,000 shares authorized; 28,750,000 and 28,750,000 shares issued and outstanding, respectively	(2,875)	(11,500)
Additional paid-in capital	(8,908,222)	(8,899,597)
Subscription receivables	(718,459)	(718,459)
Statutory reserve	303,706	(308,898)
Accumulated other comprehensive income	(813,169)	(23,123)
Accumulated deficit	(19,519,263)	(17,040,842)
Total stockholders' deficit	(11,836,088)	(8,516,183)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ (1,135,141)	\$ (2,869,344)

See accompanying notes to consolidated financial statements.

CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Currency expressed in United States Dollars (“US\$”), except for number of shares)

	Years ended December 31,	
	2017	2016
Revenues, net	\$ (31,637)	\$ -
Cost of revenue		
Mining operating cost	(1,298,217)	(374,713)
Mining related depreciation and amortization	-	-
Total cost of revenue	(1,266,580)	(374,713)
Gross loss	(1,266,580)	(374,713)
Operating expenses:		
General and administrative	(700,087)	(4,607,159)
Total operating expenses	(700,087)	(4,607,159)
Loss from operations	(1,966,667)	(4,981,872)
Other income (expense) :		
Interest income	(296)	(448)
Interest expense	(433,048)	(392,294)
Loss before income taxes	(2,399,419)	(5,373,718)
Income tax expense	-	-
NET LOSS	\$ (2,399,419)	\$ (5,373,718)
Other comprehensive income:		
- Foreign currency translation gain	(836,292)	(497,090)
COMPREHENSIVE LOSS	\$ (3,235,711)	\$ (5,870,808)
Net loss per share– Basic and diluted	\$ (0.08)	\$ (0.05)
Weighted average common shares outstanding	28,750,000	28,750,000

See accompanying notes to consolidated financial statements.

CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Currency expressed in United States Dollars (“US\$”))

	Years ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (2,399,419)	\$ (5,373,718)
Adjustments to reconcile net loss to net cash used in operating activities:	121,750	
Depreciation of property, plant and equipment	1,096,250	446,649
Impairment loss on property, plant and equipment		2,952,978
Impairment loss on prepaid mining rights		228,888
Impairment loss on account receivable		80,291
Amortization of prepaid mining rights	-	-
Changes in operating assets and liabilities:		
Accounts receivable	-	-
Deposits and prepayments	950,056	(214,142)
Accounts payable	83,951	(83,017)
Accrued liabilities and other payable	(358,935)	(44,045)
Net cash used in operating activities	<u>(506,347.)</u>	<u>(2,006,116)</u>
Cash flows from investing activities:		
Payments on leased mining rights	-	-
Purchase of property, plant and equipment	-	(3,128)
Net cash used in investing activities	<u>-</u>	<u>(3,128)</u>
Cash flows from financing activities:		
Proceeds from loans payable	846,206-	4,327,857
Repayment on loans payable	(5,869,137)	(3,444,729)
Issuance of note to a related party	5,542,165	1,487,278
Repayment to a related party		(397,984)
Net cash provided by financing activities	<u>519,234</u>	<u>1,972,422</u>
Effect of exchange rate changes on cash and cash equivalents	196,677	64,468
NET CHANGE IN CASH AND CASH EQUIVALENTS	209,564	27,646
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	68,134	40,488
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 277,697</u>	<u>\$ 68,134</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	<u>\$ 182,902</u>	<u>\$ 392,294</u>

See accompanying notes to consolidated financial statements.

CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Currency expressed in United States Dollars ("US\$"), except for number of shares)

	Common stock		Additional paid-in capital	Subscription receivable	Statutory reserve	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' equity/(deficit)
	No. of shares	Amount						
Balance as of January 1, 2015	115,000,000	\$ 11,500	\$ 8,899,597	\$ (718,459)	\$ 308,898	\$ 432,256	\$ (7,742,914)	\$ 1,190,878
Foreign currency translation adjustment	-	-	-	-	-	87,957	-	87,957
Net loss for the year	-	-	-	-	-	-	(3,924,210)	(3,924,210)
Balance as of December 31, 2015	115,000,000	11,500	8,899,597	(718,459)	308,898	520,213	(11,667,124)	(2,645,375)
Foreign currency translation adjustment	-	-	-	-	-	(497,090)	-	(497,090)
Net loss for the year	-	-	-	-	-	-	(5,373,718)	(5,373,718)
Balance as of December 31, 2016	115,000,000	11,500	8,899,597	(718,459)	308,898	23,123	(17,040,842)	(8,516,183)

See accompanying notes to consolidated financial statements.

CHINA SHOUGUAN INVESTMENT HOLDING GROUP CORPORATION
(FORMERLY CHINA SHOUGUAN MINING CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Currency expressed in United States Dollars (“US\$”), except for number of shares)

1. ORGANIZATION AND BACKGROUND

China ShouGuan Investment Holding Group Corporation (Formerly China ShouGuan Mining Corporation) (“CHSO” or “the Company”) was incorporated in the State of Nevada on May 4, 2010.

The Company, through its subsidiaries and variable interest entities, is principally engaged in the project management of gold mining operations in China. As of December 31, 2017, the Company ceased its mining operation in the Dayuan Gold Mine which is located in Shandong Province, the PRC.

On November 2, 2016, the Company filed a Certificate of Amendment to its Certificate of Incorporation and approved a name change from “China Shouguan Mining Corporation” to “China Shouguan Investment Holding Group Corporation”.

Business background

The Company was founded by a number of professionals and experts who specialize in mining technologies, mining resources management and financial and strategic management. The Company focuses on existing gold mine projects in Shandong province of the PRC. These potential targets are mostly run with low productivity because of inadequate funds and primitive technologies. The Company positions to re-engineer and redevelop these gold mines through transfer of advanced exploration and mining technologies, capital injection and effective management. The business model includes sourcing of early stage gold mines with good profit potential, conducting feasibility studies to identify suitable projects, leasing the suitable mining sites and facilities and managing the mining operations on these selected sites, with the goal of acquiring the mine if the operations proved to be satisfactory under the Company’s criteria.

Revenue is generated from the sales of non-refined gold concentrates, which is the principal raw material used in gold smelting operation to produce gold bar or product. The Company dig out chunks of mineral rocks from our mining site and undergoes a series of physical processes, including crushing, screening, grinding and scanning to produce gold concentrates. All the above processes are outsourced to independent third party contractors and the Company does not take possession of the mineral rocks during the whole processes. The Company only takes possession of the gold concentrates when they are sold to smelters and the selling prices are determined from two factors, the amount of gold in the gold concentrates and the price of gold at the date of sales. The amount of gold in the gold concentrates is determined and agreed between the Company and the smelters whereas the selling price is determined according to the official gold price at the time of sales as indicated by the Shanghai Gold Exchange (<http://www.sge.sh>, an entity governed by the PRC Government).

Reorganization

On June 23, 2010, the Company entered into a stock exchange transaction with the shareholders of Bei Sheng Limited (“BSL”), whereby the Company issued 100,000,000 shares of common stock in exchange for 100% of the ownership interest in BSL, for the purpose of re-domiciling BSL as a Nevada corporation in the United States. As a result of the share exchange transaction, BSL became a wholly-owned subsidiary of the Company. Unless otherwise indicated, all references to the Company throughout the financial statements include the operations of BSL and its subsidiaries and variable interest entities (“VIEs”).

BSL was incorporated in the British Virgin Islands (the “BVI”) on December 17, 2009 as a limited liability company with registered share capital of \$50,000, divided into 50,000 common shares of US\$1 par value each, for the purpose of holding 100% equity interest in Golden Wide International Limited (“GWIL”).

GWIL was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) on June 18, 2009 as a limited liability company with authorized share capital of \$10,000, divided into 10,000 ordinary shares of \$0.13 (equivalent to Hong Kong Dollars (“HK\$”) HK\$1) par value each. GWIL formed Shoujin Business Consulting (Shenzhen) Limited (“SBCL”) as a wholly foreign-owned enterprise under the laws of the People’s Republic of China (the “PRC”) on April 23, 2010. SBCL has a registered capital of RMB100,000 and is principally engaged in the provision of business consulting service in the PRC.

The Company, through SBCL entered into and consummated certain contractual arrangements with Shenzhen Shouguan Investment Co., Ltd (“SSIC”), JinGuan and XinGuan on May 15, 2010. As a result of these contractual

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arrangements, which obligates SBCL to absorb a majority of the risk of loss from the activities of SSIC, JinGuan and XinGuan and enables SBCL to receive a majority of its expected residual returns, the Company accounts for SSIC, JinGuan and XinGuan and its subsidiaries as a variable interest entity (“VIE”) under Accounting Standards Codification (“ASC”) Topic 810-10-5-8, “Variable Interest Entities”. (“VIE Arrangement”). It was terminated on March 31, 2014.

On March 31, 2014, the Company has restructured the VIE structure by (i) terminated the whole set of the 5 VIE agreements with XinGuan and (ii) signed a new set of the 5 VIE agreements with DYM. As a result of these contractual arrangements, which obligates SBCL to absorb a majority of the risk of loss from the activities of SSIC, JinGuan and DYM and enables SBCL to receive a majority of its expected residual returns, the Company accounts for SSIC, JinGuan and DYM and its subsidiaries as a variable interest entity (“VIE”) under Accounting Standards Codification (“ASC”) Topic 810-10-5-8, “Variable Interest Entities” . (“VIE Arrangement”).

Details of subsidiaries and VIEs

The details of the Company’s subsidiaries and VIEs are described below:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Effective interest held
Bei Sheng Limited (“BSL”)	British Virgin Islands, a limited liability company	Investment holding in GWIL and provision of mining technical advice	50,000 issued shares of US\$1 each	100%
Golden Wide International Limited (“GWIL”)	Hong Kong, a limited liability company	100%-investment holding in SBCL and provision of mining technical advice	10,000 issued ordinary shares of HK\$1 each	100%
Shoujin Business Consulting (Shenzhen) Limited (“SBCL”)	The PRC, a limited liability company	Provision of consulting service in the PRC	RMB100,000	100%
Shenzhen Shouguan Investment Co., Ltd (“SSIC”) #	The PRC, a limited liability company	99%-investment holding in JinGuan	RMB10,180,000	N/A
Yantai JinGuan Investment Limited (“JinGuan”) #	The PRC, a limited liability company	100%-investment holding in DYM, exploration, drilling, mining and sale of gold products	RMB5,000,000	N/A
Daxinganling Yiguanyuan Mining Investment Company Limited (“DYM”) #	The PRC, a limited liability company	Mine exploration in Daxinganling	RMB4,010,000	N/A

represents variable interest entity (“VIE”)

The Company and its subsidiaries and VIEs are hereinafter collectively referred to as (“the Company”).

2. GOING CONCERN UNCERTAINTIES

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

For the year ended December 31, 2017, the Company suffered from substantial losses with the accumulated deficit of \$17,040,842 as of that date. The continuation of the Company is dependent upon the continuing financial support of

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shareholders. The actions involve certain new development and investment strategies in near future. However, there is no assurance that the Company will be successful in securing sufficient funds to sustain the operations.

These and other factors raise substantial doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result in the Company not being able to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described in this note and elsewhere in the accompanying consolidated financial statements and notes.

Exploration stage company

Despite the fact that the Company commenced its production in 2009, it is still considered an exploration stage company under the criteria set forth by the Securities and Exchange Commission (“SEC”) since it has not yet demonstrated the existence of proven or probable reserves, defined by *SEC Industry Guide 7* at Dayuan Gold Mines. As a result, and in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for exploration stage companies, all expenditures for exploration and evaluation of the Company’s properties are expensed as incurred until mineralized material is classified as proven or probable reserves. Accordingly, substantially all expenditures for mine development and mill construction have been expensed as incurred. Certain expenditures, such as for rolling stock or other general-purpose equipment, may be capitalized, subject to evaluation for possible impairment of the asset. As of December 31, 2017 and 2016, none of the mineralized material at Dayuan Gold Mines met the SEC’s definition of proven or probable reserves. The Company expects to remain an exploration stage company for the foreseeable future, even though it has reached commercial production. The Company will not exit the exploration stage unless and until it demonstrates the existence of proven or probable reserves that meet SEC guidelines.

Proven or probable reserves

The definition of proven or probable reserves is set forth in *SEC Industry Guide 7*. Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed sampling; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. In addition, reserves cannot be considered proven or probable until they are supported by a feasibility study, indicating that the reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable at the time of the reserve determination. As of December 31, 2017 and 2016, none of the Company’s mineralized resources met the definition of proven or probable reserves.

Basis of presentation

These accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Use of estimates

In preparing these consolidated financial statements, management makes estimates and assumptions that affect the reported amount of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Reclassifications

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Certain amounts presented in prior periods have been reclassified to conform with the current period presentation. The reclassifications had no effect on the Company’s net loss.

Basis of consolidation

The consolidated financial statements include the accounts of CHSO, its subsidiaries and VIEs. All inter-company balances and transactions between the Company and its subsidiaries and VIEs have been eliminated upon consolidation.

The Company has adopted the ASC Topic 810-10-5-8, “*Variable Interest Entities*”. ASC Topic 810-10-5-8 requires a variable interest entity or VIE to be consolidated by a company if that company is subject to a majority of the risk of loss for the VIEs or is entitled to receive a majority of the VIEs’ residual returns.

Variable interest entity

The Company's subsidiary, SBCL entered into a series of amended agreements ("VIE agreements") amongst SSIC, JinGuan, DYM and the individual owners of SSIC, JinGuan and DYM and details of the VIE agreements are as follows:

1. Exclusive Technical Service and Business Consulting Agreement, SBCL has the exclusive right to provide to SSIC, JinGuan and DYM consulting services, including operational management, human resources management, research and development of the technologies related to the operations of SSIC, JinGuan and DYM. SSIC, JinGuan and DYM pays to SBCL annually consulting service fees in an amount equals to all of their revenue for such year. These agreements run for 10 year terms and are subject to automatic renewal for an additional 10 year term provided that no objection is made by both parties on the renewal.
2. Exclusive Option Agreement, SBCL has the option to purchase SSIC, JinGuan and DYM all assets and ownership at any time.
3. Equity Pledge Agreement, SSIC, JinGuan and DYM agree to pledge their legal interest to SBCL as a security for the obligations under the Exclusive Technical Service and Business Consulting Agreement.
4. Proxy Agreement, SSIC, JinGuan and DYM irrevocably grant and entrust SBCL the right to exercise its voting and other stockholder’s right.
5. Operating Agreement, SBCL agrees to participate in the operations of SSIC, JinGuan and DYM in different aspects.

With the above agreements, SBCL demonstrates its ability to control SSIC, JinGuan and DYM as the primary beneficiaries and the operating results of the VIEs was included in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Cash and cash equivalents

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.

Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews the adequacy of the allowance for doubtful accounts on an ongoing basis, using historical collection trends and aging of receivables. Management also periodically evaluates individual customer’s financial condition, credit history and the current economic conditions to make adjustments in the allowance when it is considered necessary. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Mining rights, exploration and development costs

Costs of mining rights are capitalized upon acquisition.

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Subsequent exploration and development costs are expensed as incurred until such time as a feasibility study has been completed which establishes, in compliance with *SEC Industry Guide 7*, that proven and probable reserves exist on the property. After proven and probable reserves have been established, subsequent exploration and development costs are capitalized until such time as a property is placed in-service. Following a property's in-service date, accumulated capitalized acquisition, exploration and development costs are reclassified as Mining Property assets and are subject to amortization on a units-of-production basis when its production begins.

Prepaid mining rights

Prepaid mining rights represent certain amount of lease prepayment made for the operation of the mining license of Dayuan Gold Mine under and are being amortized using a straight-line basis over its scheduled lease term.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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:

	Expected useful lives	Residual value
Plant and machinery	5-10 years	5%
Motor vehicles	5 years	5%
Office equipment	3-5 years	5%

Expenditure for repairs and maintenance is expensed as incurred. When assets have retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the results of operations.

Depreciation expense for the years ended December 31, 2017 and 2016 were \$446,649 and \$497,347, of which \$443,300 and \$470,555 were included in cost of revenue, respectively.

Construction in progress

Construction in progress is stated at cost, which includes the costs of self-constructed assets, including mine-site development facilities during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets. Construction in progress is not depreciated until such time as the assets are completed and put into operational use. No capitalized interest is incurred during the period of construction.

Impairment of long-lived assets

In accordance with the provisions of ASC Topic 360-10-5, “*Impairment or Disposal of Long-Lived Assets*”, all long-lived assets held and used by the Company are annually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of an asset to estimated future undiscounted cash flows expected to be generated by the asset. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and

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probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

Revenue recognition

In accordance with the ASC Topic 605, “*Revenue Recognition*”, the Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectability is reasonably assured.

(a) Product sales

The Company derives revenues from the sales of non-refined gold concentrate to smelters, whereas the smelter usually takes 6 days for the production from non-refined gold concentrate to gold bullion. The Company generally recognizes its revenues, net of value-added taxes (“VAT”) at the time of gold bullion is produced by the smelter and its selling price is determined by the market value of gold bullion quoted by the Shanghai Gold Exchange.

The Company is subject to VAT which is levied on the standard gold products at the standard rate of 17% on the invoiced value of sales. The Company’s VIE, JinGuan and DYM is granted with a preferential tax treatment under the Chinese tax law of the “*Notice from Ministry of Finance and State Tax Bureau in Relation to Exemption of Value Added Tax on Gold Production*” and “*Notice regarding issues on Tax Policy on Gold Transaction*”, whereas gold produced and sold by gold mining and smelting enterprises are exempted from VAT.

(b) Interest income

Interest income is recognized on a time apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

Cost of revenue

Cost of revenues consists primarily of amortization of mining rights, direct material, direct labor, sub-contracting mining fee, smelting and extracting fee, depreciation of mining plants and other operating overhead, which are directly attributable to the sales of gold concentrate. Shipping and handling costs, associated with the distribution of finished products, are borne by the customers.

Advertising expense

Advertising costs are expensed as incurred under ASC Topic 720-35, “*Advertising Costs*”. The Company incurred no advertising expense for the years ended December 31, 2017 and 2016, respectively.

Environmental costs

The PRC has adopted extensive environmental laws and regulations that affect the operations of the mining industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material. Under existing legislation, however, the Company management believes that there are no probable liabilities that will have a material adverse effect on the financial position of the Company.

Comprehensive income

ASC Topic 220, “*Comprehensive Income*”, establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Comprehensive income as defined includes all changes in equity during a period from non-owner sources. Accumulated other comprehensive income, as presented in the accompanying consolidated statement of stockholders’ equity, consists of changes in unrealized gains and losses on foreign currency translation. This comprehensive income is not included in the computation of income tax expense or benefit.

Income taxes

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The Company adopts the ASC Topic 740, “Income Taxes” regarding accounting for uncertainty in income taxes which prescribes the recognition threshold and measurement attributes for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. In addition, the guidance requires the determination of whether the benefits of tax positions will be more likely than not sustained upon audit based upon the technical merits of the tax position. For tax positions that are determined to be more likely than not sustained upon audit, a company recognizes the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not determined to be more likely than not sustained upon audit, a company does not recognize any portion of the benefit in the financial statements. The guidance provides for de-recognition, classification, penalties and interest, accounting in interim periods and disclosure.

For the years ended December 31, 2017, and 2016, the Company did not have any interest and penalties associated with tax positions. As of December 31, 2017 and 2016, the Company did not have any significant unrecognized uncertain tax positions.

The Company conducts major businesses in the PRC and is subject to tax in this jurisdiction. As a result of its business activities, the Company files tax returns that are subject to examination by the foreign tax authority.

Net loss per share

The Company calculates net loss per share in accordance with ASC Topic 260, “Earnings per Share.” Basic loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted income per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common stock equivalents had been issued and if the additional common shares were dilutive.

Foreign currencies translation

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency using the applicable exchange rates at the balance sheet dates. The resulting exchange differences are recorded in the statement of operations.

The reporting currency of the Company is United States Dollars (“US\$”). The Company's subsidiary in the PRC maintain its books and records in its local currency, Renminbi Yuan (“RMB”), which is functional currency as being the primary currency of the economic environment in which the entity operates.

In general, for consolidation purposes, assets and liabilities of its subsidiaries and VIEs whose functional currency is not US\$ are translated into US\$, in accordance with ASC Topic 830-30 , “Translation of Financial Statement” , using the exchange rate on the balance sheet date. Revenues and expenses are translated at average rates prevailing during the period. The gains and losses resulting from translation of financial statements of foreign subsidiaries and VIEs are recorded as a separate component of accumulated other comprehensive income within the statement of stockholders’ equity.

Translation of amounts from RMB into US\$1 has been made at the following exchange rates for the respective year:

	2017	2016
Year-end RMB:US\$1 exchange rate	6.5342	6.9437
Annual average RMB:US\$1 exchange rate	6.75134	6.6430

Retirement plan costs

Contributions to retirement plans (which are defined contribution plans) are charged to general and administrative expenses in the accompanying consolidated statements of operation as the related employee service is provided.

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Related parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Segment reporting

ASC Topic 280, “*Segment Reporting*” establishes standards for reporting information about operating segments on a basis consistent with the Company’s internal organization structure as well as information about geographical areas, business segments and major customers in financial statements. For the years ended December 31, 2017 and 2016, the Company operates in one reportable operating segment in the PRC.

Fair value of financial instruments

The carrying value of the Company’s financial instruments include cash and cash equivalents, amounts due from (to) related parties, deposits and prepayments, accounts payable, income tax payable, accrued liabilities and other payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values. The carrying value of the Company’s loans payable approximated its fair value based on the current market prices or interest rates for similar debt instruments.

The Company also follows the guidance of the ASC Topic 820-10, “*Fair Value Measurements and Disclosures*” (“ASC 820-10”), with respect to financial assets and liabilities that are measured at fair value. ASC 820-10 establishes a three-tier fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

- *Level 1 : Observable inputs such as quoted prices in active markets;*
- *Level 2 : Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and*
- *Level 3 : Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions*

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Recent accounting pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does 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, as follows:

On April 7, 2015, Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, *Interest—Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this ASU. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Company elected to early adopt this standard which did not have a material impact on the Company’s financial position or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory—Simplifying the Measurement of Inventory (Topic 330)*. The amendments in this ASU require an entity to measure inventory that is not measured using the last-in, first-out (LIFO) or retail inventory methods at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including

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interim periods within those years. The Company is evaluating this ASU and has not determined the effect of this standard on its ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those years. The Company is evaluating this ASU and has not determined the effect of this standard on its ongoing financial reporting.

In March 2016, the FASB issued ASU No. 2016-07, *Simplifying the Transition to the Equity Method of Accounting*, which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The amendments in ASU 2016-07 are effective for public companies for fiscal years beginning after December 15, 2016 including interim periods therein. Early adoption is permitted. The new standard should be applied prospectively for investments that qualify for the equity method of accounting after the effective date. The Company does not expect that the adoption will have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which includes amendments to accounting for income taxes at settlement, forfeitures, and net settlements to cover withholding taxes. The amendments in ASU 2016-09 are effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted but requires all elements of the amendments to be adopted at once rather than individually. The Company is evaluating the effect that ASU No. 2016-09 will have on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This ASU is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-15 on its financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted. The Company does not anticipate that the adoption of this ASU to have a significant impact on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are Under Common Control*. The amendments in this ASU change how a reporting entity that is the single decision maker of a variable interest entity should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that variable interest entity. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

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In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU provides guidance on the classification of restricted cash in the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The amendments in the ASU should be adopted on a retrospective basis. The Company does not expect that adoption of this ASU to have a material effect on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s consolidated financial statements upon adoption.

4. AMOUNT DUE FROM A RELATED PARTY

The amount is unsecured, interest-free and repayable on demand.

5. DEPOSITS AND PREPAYMENTS

Deposits and prepayments consist of the following:

	As of December 31,	
	2017	2016
Advances to employees	\$ (55,818)	\$ (178,735)
Prepaid operating expenses	(28,674)	(30,724)
Deposits	-	(14,679)
Other receivables	(363,709)	(145,097)
	<u>\$ (448,201)</u>	<u>\$ (369,235)</u>

6. DAYUAN GOLD MINING PROJECT

	As of December 31,	
	2017	2016
Prepaid mining rights – Dayuan Gold Mine	\$ (12,325,327)	\$ (12,325,327)
Less: accumulated amortization	(12,325,327)	(9,666,473)
Less: impairment loss	-	(2,952,978)
Less: foreign translation adjustment	-	(294,124)
Net book value	<u>\$ -</u>	<u>\$ -</u>

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	As of December 31,	
	2017	2016
Plant and machinery	\$ 3,809,783	\$ 3,809,783
Motor vehicles	182,816	182,816
Office equipment	98,082	98,082
Foreign translation adjustment	(181,373)	(252,064)
	<u>3,909,308</u>	<u>3,838,617</u>
Less: accumulated depreciation	(3,425,682)	(2,327,326)
Less: impairment loss	-	(228,888)

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Less: foreign translation adjustment	(18,565)	221,112
Property, plant and equipment, net	<u>\$ 465,061,</u>	<u>\$ 1,503,515</u>

Depreciation expense for the years ended December 31, 2017 and 2016 were \$557,697 and \$446,649, of which \$0 and \$443,300 were included in cost of revenue, respectively. The company's gold mine ceased production.

For the year ended December 31, 2016, Company made a full provision of \$228,888 to write down certain mining facilities in Dayuan Project to its net realizable value, since the Company is not intended to operate this mining project in the next twelve months.

8. LOANS PAYABLE, UNSECURED

As of December 31, 2016 and 2015, the Company also held the following short-term and long-term loans payable to third parties:

	December 31, 2017	December 31, 2016
Loans payable to certain individuals and financial institution in the PRC, unsecured:		
Equivalent to RMB5,235,037 (2015: RMB3,000,000) with interest rate at 2.7% per annum, payable at its maturity, due in August 2019	\$ 775,407	\$ 753,926
Equivalent to RMB7,400,000 (2015: RMB 7,400,000) with interest rate at 2.7% per annum, payable at its maturity, due in May 2018	1,096,079	1,065,714
Equivalent to RMB5,800,000 (2015: RMB 8,800,000) with interest rate free, payable at its maturity, due June 30, 2018	859,089	835,289
Equivalent to RMB2,000,000 (2015: RMB 2,000,000) with interest rate free, payable at its maturity, due April 13, 2019	296,237	288,031
Equivalent to RMB1,000,000, interest free, payable at its maturity, due March 11, 2018	148,119	144,015
Equivalent to RMB500,000, interest free, payable at its maturity, due January 9, 2017	-	72,008
Equivalent to RMB150,000, interest free, payable at its maturity, due June 30, 2017	-	21,602
Equivalent to RMB300,000, interest free, payable at its maturity, due March 11, 2017	-	43,206
Equivalent to RMB6,000,000, interest free, payable at its maturity, due December 31, 2018	888,712	864,093
Equivalent to RMB10,868,259 with interest rate at the bank of China Benchmark Lending Rate, payable at its maturity, due May 30, 2022	1,609,792	-
Equivalent to RMB3,490,000 with interest rate at the bank of China Benchmark Lending Rate, payable at its maturity, due Aug 1, 2018	516,934	502,614

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Equivalent to RMB5,000,000 (2015: RMB 5,000,000) with interest rate at the bank of China Benchmark Lending Rate, payable at its maturity, due May 13, 2017	-	770,333
Equivalent to RMB29,000,000 with effective interest rate at 4.79% per annum, payable with monthly principal and interest payments, due December 15, 2017	-	4,176,448
Equivalent to RMB1,116,000 with interest rate at the bank of China Benchmark Lending Rate, payable at its maturity, due May 31, 202	165,300	-
Equivalent to RMB2,484,220 (2017: RMB 300,000) with interest free, payable at its maturity, due Jul 20, 2018	367,960	-
	-	-
Equivalent to RMB640,000 (2015: RMB 640,000) with interest free, payable at its maturity, due March 7, 2018	94,796	92,170
Equivalent to RMB324,709 (2015: RMB 324,709) with interest free, payable at its maturity, due March 7, 2017	48,095	46,761
Total current and long-term liabilities	12,971,229	9,625,955
Less: long-term portion	-	-
Total current liabilities	\$ 12,971,229	\$ 9,625,955

9. NOTES PAYABLE, RELATED PARTIES

As of December 31, 2017, the loan due to Mr. Zhang, the director of the Company, which was unsecured, carried annual interest at Bank of China Benchmark Lending Rate and payable in a monthly installment. The interest expense to a related party amounted \$0 and \$45,098 for the years ended December 31, 2017 and 2016, respectively.

10. ACCRUED LIABILITIES AND OTHER PAYABLE

Accrued liabilities and other payable consist of the following:

	As of December 31,	
	2017	2016
Interest payable	\$ -	\$ 163,591
Salaries and welfare payable	55,818	75,211
Accrued operating expenses	-	126,109
Advance from third party	-	2,102
Other payables	3,439,481	123,247
	\$ 3,495,299	\$ 490,260

11. STOCKHOLDERS' EQUITY

On February 8, 2013, the Company entered into definitive agreement with an investor relating to the private placement of a total of 2,000,000 common stocks at a subscription price of \$0.6 per share, for an aggregate gross cash purchase price of \$1,200,000 under Regulation S.

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On December 31, 2013, the Company cancelled 10,000,000 shares of its common stock issued.

12. INCOME TAXES

For the years ended December 31, 2017 and 2016, the local (United States) and foreign components of loss from operations before income taxes were comprised of the following:

	Years ended December 31,	
	2017	2016
Tax jurisdictions from:		
- Local	\$ 0	\$ (800)
- Foreign, representing		
British Virgin Island	(90,393))	(19,302)
Hong Kong	(615)	(767)
The PRC	(2,387,413)	(5,352,849)
Loss before income taxes	\$ (2,478,421)	\$ (5,373,718)

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The provision for income taxes consisted of the following:

	Years ended December 31,	
	2017	2016
Current:		
- Local	\$ -	\$ -
- Foreign, The PRC	-	-
Deferred:		
- Local	-	-
- Foreign	-	-
Income tax expense	\$ -	\$ -

The effective tax rate in the years presented is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. The Company has subsidiaries that operate in various countries: United States, BVI, Hong Kong and the PRC that are subject to taxes in the jurisdictions in which they operate, as follows:

United States of America

The Company is registered in the State of Nevada and is subject to the tax laws of the United States of America. As of December 31, 2017, the Company incurred \$50,193 of aggregate net operating loss carryforward available to offset its taxable income for income tax purposes. The Company has provided for a full valuation allowance against the deferred tax assets of \$17,065 on the expected future tax benefits from the net operating loss carryforwards as the management believes it is more likely than not that these assets will not be realized in the future.

British Virgin Island

Under the current BVI law, BSL is not subject to tax on its income or profits.

Hong Kong

GWIL is subject to Hong Kong Profits Tax, which is charged at the statutory income rate of 16.5% on its assessable income.

The PRC

The Company generated its income from its subsidiaries and VIEs operating in the PRC for the years ended December 31, 2017 and 2016. All entities in the PRC are subject to the Corporate Income Tax Law of the People’s Republic of China at a unified income tax rate of 25%. A reconciliation of income tax rate to the effective income tax rate for the years ended December 31, 2017 and 2016 is as follows:

	Years ended December 31,	
	2017	2016
Loss before income taxes	\$ (2,387,413)	\$ (5,352,849)
Statutory income tax rate	25%	25%
Income tax expense at the statutory rate	(596,853)	(1,338,212)
Net operating loss not recognized as deferred tax asset	-	411,064
Non-deductible items	596,853	927,148
Income tax expense	\$ -	\$ -

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The following table sets forth the significant components of the aggregate net deferred tax assets of the Company as of December 31, 2017 and 2016:

	As of December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carryforwards from the PRC	\$ 2,387,413	\$ 2,644,729
Less: valuation allowance	(2,387,413)	(2,644,729)
Deferred tax assets	\$ -	\$ -

As of December 31, 2017 the Company incurred \$2,387,413 of aggregate net operating loss carryforward available to offset its taxable income for income tax purposes. The Company has provided for a full valuation allowance against the deferred tax assets of \$2,387,413 on the expected future tax benefits from the net operating loss carryforwards as the management believes it is more likely than not that these assets will not be realized in the future.

13. NET LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of common shares outstanding during the year. The dilutive effect of potential common shares outstanding is included in diluted net loss per share. The following table sets forth the computation of basic and diluted net loss per share for the years ended December 31, 2017 and 2016:

	Years ended December 31,	
	2017	2016
Net loss attributable to common stockholders	\$ (2,399,419)	\$ (5,373,718)
Weighted average common shares outstanding	28,750,000	115,000,000
Basic net loss per share	\$ (0.08)	\$ (0.05)
Diluted net loss per share	\$ (0.08)	\$ (0.05)

14. CHINA CONTRIBUTION PLAN

Under the PRC Law, full-time employees of its subsidiaries in the PRC are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a China government-mandated multi-employer defined contribution plan. The Company is required to accrue for these benefits based on certain percentages of the employees’ salaries. The total contributions made for such employee benefits were \$22,079 and \$10,732 for the years ended December 31, 2017 and 2016, respectively.

15. STATUTORY RESERVE

Under the PRC Law, the Company’s subsidiary and variable interest entities in the PRC are required to make appropriation to the statutory reserve based on after-tax net earnings and determined in accordance with generally accepted accounting principles of the People’s Republic of China (the “PRC GAAP”). Appropriation to the statutory reserve should be at least 10% of the after-tax net income until the reserve is equal to 50% of the registered capital. The statutory reserve is established for the purpose of providing employee facilities and other collective benefits to the employees and is non-distributable other than in liquidation.

For the years ended December 31, 2017 and 2016, the Company made no contribution to statutory reserve.

16. CONCENTRATIONS OF RISK

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The Company is exposed to the following concentrations of risk:

(a) Interest rate risk

As the Company has no significant interest-bearing assets, the Company’s income and operating cash flows are substantially independent of changes in market interest rates.

The Company’s interest-rate risk arises from loans payable and short-term bank borrowings. The Company manages interest rate risk by varying the issuance and maturity dates variable rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. As of December 31, 2016, loans payable and short-term bank borrowings were at fixed rates.

(b) Exchange rate risk

The reporting currency of the Company is US\$, to date the majority of the revenues and costs are denominated in RMB and a significant portion of the assets and liabilities are denominated in RMB. As a result, the Company is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between US\$ and RMB. If RMB depreciates against US\$, the value of RMB revenues and assets as expressed in US\$ financial statements will decline. The Company does not hold any derivative or other financial instruments that expose to substantial market risk.

(c) 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.

The Company's operations in the PRC are subject to special considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environment and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion, remittances abroad, and rates and methods of taxation.

(d) Mining industry risks

The Company's mining operations are subject to extensive national and local governmental regulations in China, which regulations may be revised or expanded at any time. Generally, compliance with these regulations requires the Company to obtain permits issued by government regulatory agencies. Certain permits require periodic renewal or review of their conditions. The Company cannot predict whether it will be able to obtain or renew such permits or whether material changes in permit conditions will be imposed. The inability to obtain or renew permits or the imposition of additional conditions could have a material adverse effect on the Company's ability to develop and operate its mines.

(e) Risk on changing price in gold

At present, the price of gold in the PRC is generally in line with the price of gold in the international market. There are many factors influencing the price of gold in the international market, including the international economic situation (in particular the economic situation in the US), petroleum prices, fluctuations in the exchange rates of the US dollar, fluctuations in the stock and other financial investment markets and various political, military, social and economic contingencies. These factors are beyond the control of the Company. Changes in the prices of the gold in the PRC and in the exchange rate of RMB as a result of these may adversely affect the operating results of the Company. Under the relevant PRC laws and regulations, hedging activities presently are not permitted in gold trading in the PRC market. The Company has not been involved in hedging transactions or any alternative measures to manage the potential price risk.

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17. COMMITMENTS AND CONTINGENCIES

The Company is committed under several non-cancelable operating leases for office premises with the terms ranging from 1 to 2 years, with fixed monthly rentals or scheduled payments. Total rent expenses for the years ended December 31, 2017 and 2016 was \$114,413 and \$133,163, respectively.

As of December 31, 2016, the Company has the aggregate future minimum rental payments due under various non-cancelable operating leases in the next two years:

Year ending December 31,	
2018	122,411
2019	<u>122,411</u>
Total:	\$ <u><u>244,822</u></u>

18. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, “*Subsequent Events*”, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company has evaluated all events or transactions that occurred after December 31, 2017 up through the date the Company issued the audited consolidated financial statements, except for the following events:

A one for four reverse stock split was accepted by FINRA on March 13, 2018

CERTIFICATION

We, Feize Zhang and Chengqing Tan, certify that:

1. We have reviewed this annual disclosure statement of CHINA SHOIGUAN INVESTMENT HOLDING GROUP CORPORATION;

2. Based on our knowledge, this disclosure statement 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;

3. With respect to the period covered by this disclosure statement; based on our 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.

Dated April 17, 2018


Feize Zhang, CEO


Chengqing Tan, CFO