

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

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China Xuefeng Environmental Engineering Inc.

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SIC: **4955** Hazardous waste management

Mailing Address

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K/A

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **November 27, 2012**

China Xuefeng Environmental Engineering Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation)

333-175483
(Commission File Number)

99-0364975
(IRS Employer Identification No.)

**C214. Fitting Integreation Building, Fazhan Road to Sugian Gate Section
Jiangsu Province, China**

(Address of Principal Executive Offices)

86-527-84370508

(Registrant's Telephone Number, Including Area Code)

**NYC Moda Inc.
547 N. Yale Avenue**

Villa Park, IL

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a -12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d -2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e -4(c))

EXPLANATORY NOTE

China Xuefeng Environmental Engineering Inc. (the "Company"), is filing this Amendment No. 1 (this "Amendment") to its Current Report on Form 8-K as filed with the Securities and Exchange Commission (the "Commission") on December 3, 2012 (the "Original Filing").

The Company is filing this Amendment in response to certain comment letter from the Commission staff dated December 19, 2012.

No changes have been made to the Original Filing other than to add the information as described above. This Amendment should be read in conjunction with the Original Filing. This Amendment speaks as of the date of the Original Filing, does not reflect events that may have occurred after the date of the Original Filing and does not modify or update in any way the disclosures made in the Original Filing, except as required to reflect the revisions discussed above.

This Amendment includes the following items:

Item 1.01	Entry into a Material Definitive Agreement
Item 2.01	Completion of Acquisition or Disposition of Assets
Item 4.01	Change in Registrant's Certifying Accountant
Item 5.01	Changes in Control of Registrant
Item 5.02	Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers; Compensatory Arrangements of Certain Officers
Item 5.03	Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year
Item 5.06	Change in Shell Company Status
Item 5.07	Submission of Matters to a Vote of Security Holders
Item 9.01	Financial Statements and Exhibits

EMERGING GROWTH COMPANY DISCLOSURE

We are an "emerging growth company" under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings. Investing in our common stock involves a high degree of risk. Before buying any shares, you should carefully read the discussion of material risks of investing in our common stock in "Risk Factors".

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements which reflect our views with respect to future events and financial performance. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from the views expressed in these statements. Forward-looking statements are sometimes identified by, among other things, the words "anticipates", "believes", "estimates", "expects", "plans", "projects", "targets" and similar expressions. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. Except to the extent required by applicable securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements include, among other things, statements relating to:

- our ability to increase our sales and revenue;
- our ability to contain sourcing and labor costs;
- our ability to attract and retain key technology and management personnel;
- our ability to improve our existing technology and remain competitive in the electronics industry;
- our ability to obtain additional capital in future years to fund our planned expansion; and
- economic, political, regulatory, legal and foreign exchange risks associated with our operations.

USE OF DEFINED TERMS; CONVENTIONS

Except where the context otherwise requires and for the purposes of this report only:

- **"we," "us," "our company," "our" "Company"** and **"NYC Moda Inc."** refer to the combined business of China Xuefeng Environmental Engineering Inc., formerly known as NYC Moda Inc and its consolidated subsidiaries and its consolidated affiliate, as the case may be;
- **"Inclusion"** refers to Inclusion Business Limited (BVI), our direct, wholly-owned subsidiary, a BVI corporation;
- **"Lotus International"** refers to Lotus International Holdings Limited (Hong Kong), our indirect, wholly-owned subsidiary, a Hong Kong corporation;
- **"Baichuang Consulting"** refers to Baichuang Information Consulting (Shenzhen) Co., Ltd., our indirect, wholly-owned subsidiary, a Chinese corporation;
- **"Jiangsu Xuefeng"** refers to Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd., our indirect, consolidated affiliate, a Chinese corporation;
- **"SEC"** refers to the United States Securities and Exchange Commission;
- **"China," "Chinese" and "PRC,"** refer to the People's Republic of China, excluding Hong Kong, Macao and Taiwan;
- **"Renminbi" and "RMB" and "Yuan"** refer to the legal currency of China;
- **"U.S. dollars," "dollars" and "\$"** refer to the legal currency of the United States;
- **"Securities Act"** refers to the United States Securities Act of 1933, as amended; and
- **"Exchange Act"** refers to the United States Securities Exchange Act of 1934, as amended.

Solely for the convenience of the reader, this report contains conversions of certain Renminbi amounts into U.S. dollars at specified rates. Except as otherwise indicated, all conversions from Renminbi to U.S. dollars were made based on the Exchange Rate on May 31, 2012 which was RMB 6.36 and the Exchange Rate on August 31, 2012 which was RMB 6.33. No representation is made that the Renminbi or U.S. dollar amounts referred to in this report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. See "Risk Factors—Risks Related to Our Business—Fluctuations in exchange rates could adversely affect our business and the value of our securities" for a discussion of the effects on the Jiangsu Xuefeng of fluctuating exchange rates.

In this report we refer to information and statistics regarding our industry and the overall economy in China that we obtained from various government and institute research publications. Much of this information is publicly available and has not been specifically prepared for our use or incorporation in this current report on Form 8-K. We have no reason to believe that the information and statistics that we refer to from such reports is not accurate.

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On November 27, 2012, we entered into and closed an exchange agreement with Inclusion Business Limited (BVI), or **"Inclusion"**, all of the shareholders of Inclusion (the **"Inclusion Shareholders"**), and Mr. Zhenxing Liu, the majority shareholder of the Company (the **"Exchange Agreement"**), pursuant to which we acquired all of the outstanding shares of Inclusion (the **"Inclusion Shares"**) from the Inclusion Shareholders in exchange for an issuance of 7,895,000 shares of our common stock which was surrendered by Zhenxing LIU, our Majority Shareholder (the **"Share Exchange"**), representing approximately 76.65% of our outstanding shares of common stock (the **"Inclusion Acquisition"**). We currently have 10,300,000 shares of common stock issued and outstanding.

Pursuant to the Share Exchange Agreement, the Company acquired Inclusion and its indirect, controlled affiliate Jiangsu Xuefeng, a company that is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment. On November 27, 2012, pursuant to the terms of the Share Exchange Agreement, the Company acquired all of the outstanding equity securities of Inclusion (the "Inclusion Shares") from Inclusion Shareholders, and Inclusion Shareholders transferred and contributed all of its Inclusion Shares to the Company. In addition, pursuant to the terms of the Share Exchange Agreement, we agreed to change our name to China Xuefeng Environmental Engineering Inc. and to effect a 4 for 1 forward stock split of our shares of common stock to modify the Company's capital structure to accommodate the transactions contemplated by the Share Exchange and to put in place an appropriate capital structure for the Company following the closing of the Share Exchange. Such securities were not registered under the Securities Act. These securities qualified for exemption under Section 4(2) of the Securities Act since the issuance of securities by us did not involve a public offering.

The foregoing description of the terms of the Exchange Agreement is qualified in its entirety by reference to the provisions of those documents filed as Exhibit 2.1, to this report, which are incorporated by reference herein.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On November 27, 2012 (the "**Closing Date**"), we completed the Inclusion Acquisition pursuant to the Exchange Agreement. Based on the negotiation between the parties, both parties agreed that after the transaction, our former shareholders (other than Zhenxin Liu) shall own 23.35% while the Inclusion Shareholders shall own 76.65% of the capital stock of the Company. Therefore, we issued a total of 7,895,000 shares of our common stock to the Inclusion Shareholders for all the shares they held in Inclusion. Our board of directors approved the Exchange Agreement on the Closing Date. The Inclusion Acquisition was accounted for as a "reverse acquisition" effected as a recapitalization effected by a share exchange, wherein Inclusion is considered the acquirer for accounting and financial reporting purposes. The assets and liabilities of the acquired entity have been brought forward at their book value and no goodwill has been recognized.

As a result of the Inclusion Acquisition, our consolidated subsidiaries include Inclusion Business Limited (BVI) or "**Inclusion**", our wholly-owned subsidiary which is incorporated under the laws of the British Virgin Islands, Lotus International Holdings Limited (Hong Kong) or "**Lotus**", a wholly-owned subsidiary of Inclusion which is incorporated under the laws of Hong Kong, Baichuang Information Consulting (Shenzhen) Co., Ltd., or "**Baichuang Consulting**", a wholly-owned subsidiary of Lotus which is incorporated under the laws of the PRC, and Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd., or "**Jiangsu Xuefeng**", a limited liability company incorporated under the laws of the PRC which is effectively and substantially controlled by Baichuang Consulting through a series of captive agreements, discussed below.

On October 17, 2012, prior to the reverse acquisition transaction, Baichuang Consulting and Jiangsu Xuefeng and its shareholders Li YUAN and Yi YUAN entered into a series of agreements, including an Exclusive Technical Service and Business Consulting Agreement, a Call Option Agreement, Proxy Agreement and Share Pledge Agreement, collectively referred to in this report as variable interest agreements, or "**VIE Agreements**," pursuant to which Jiangsu Xuefeng became Baichuang Consulting's contractually controlled affiliate. The use of VIE agreements is a common structure used to acquire PRC corporations, particularly in certain industries in which foreign investment is restricted or forbidden by the PRC government. As a result of the VIE Agreements described above, we have consolidated Jiangsu Xuefeng's historical financial results in our financial statements as a variable interest entity pursuant to Accounting Principles Generally Accepted in the United States of America following the date of the agreements and combined such results prior to the date of the agreements. The VIE Agreements with our Chinese affiliate and its shareholders, which relate to critical aspects of our operations, may not be as effective in providing operational control as direct ownership. In addition, these arrangements may be difficult and costly to enforce under PRC law. See "Risk Factors - Risks Relating to the VIE Agreements."

The foregoing descriptions of the VIE Agreements and the transactions contemplated thereby, are subject to the more detailed provisions set forth in the VIE Agreements, which are attached as Exhibits 10.1, 10.2, 10.3, and 10.4 to this Current Report on Form 8-K and which are incorporated herein by reference. Please also see "Related Party Transactions" and "Form 10 Disclosure" for further information on our contractual arrangements with these parties.

We have included the information that would be required if the registrant were filing a general form for registration of securities on Form 10, including a complete description of the business and operations of Inclusion and its operating subsidiaries in Item 5.06 below, which is incorporated herein by reference.

ITEM 4.01 CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Dismissal of Previous Independent Registered Public Accounting Firm

Effective November 26, 2012, upon the approval of the board of directors of the Company, the Company dismissed Ronald R. Chadwick, P.C., as the Company's independent registered public accountant.

Although the report of Ronald R. Chadwick, P.C. on the Company's financial statements for the fiscal year ended April 30, 2012 and 2011 included an explanatory paragraph that noted substantial doubt about the Company's ability to continue as a going concern. They did not contain any adverse opinion or a disclaimer of opinion, nor were they modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended April 30, 2012 and 2011 as well as the subsequent interim period preceding our decision to dismiss Ronald R. Chadwick, P.C., there have been no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K) between the Company and Ronald R. Chadwick, P.C. on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ronald R. Chadwick, P.C., would have caused them to make reference thereto in their report on financial statements for such years.

On November 30, 2012, the Company provided Ronald R. Chadwick, P.C. with a copy of the foregoing disclosures it is making in response to Item 4.01 on this Form 8-K, and requested Ronald R. Chadwick, P.C. to furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements in response to Item 304(a) of Regulation S-K and, if not, stating the respect in which it does not agree. We have received the requested letter from Ronald R. Chadwick, P.C., and a copy of such letter is filed as Exhibit 16.1 to this current report on Form 8-K/A.

Engagement of New Independent Registered Public Accounting Firm

On November 26, 2012, upon the approval of the board of directors of the Company, the Company engaged Wei Wei & Co., LLP as the independent registered public accounting firm for the Company. Wei Wei & Co., LLP served as the independent registered public accounting firm for Jiangsu Xuefeng prior to our acquisition of Jiangsu Xuefeng pursuant to the transactions set forth in the Exchange Agreement. During the Company's fiscal years ended April 30, 2012 and 2011 as well as the subsequent interim period preceding our decision to retain Wei Wei & Co., LLP, the Company did not consult with Wei Wei & Co., LLP regarding any of the matters or events set forth in Item 304(a)(2) of Regulation S-K.

ITEM 5.01 CHANGES IN CONTROL OF REGISTRANT

Prior to the closing of the Share Exchange, Mr. Zhenxing LIU, the Company's sole director and officer and owner of 8,145,000 shares of common stock, representing approximately 79.08% of the outstanding shares of common stock, surrendered 7,895,000 shares of common stock to the Company as a capital contribution in contemplation of the consummation of the Share Exchange. Upon the closing of Share Exchange, the Company acquired 100% of the outstanding shares of Inclusion from the Inclusion Shareholders in exchange for 7,895,000 shares of the Company's common stock (the "Exchange"). In addition, as of the Closing, Mr. Li YUAN has been appointed as the Chairman of the Board and Chief Executive Officer of the Company effective on November 27, 2012 pursuant to the Share Exchange Agreement and board resolutions and majority shareholder's consent.

As a result of the closing of the Exchange Agreement, the former shareholders of Inclusion now own 76.65% of the total outstanding shares of our common stock.

See Item 1.01 above and Item 5.06 below of this Current Report on Form 8-K, each of which is incorporated herein by reference.

ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

On November 27, 2012, Zhenxing LIU, the sole member of our board of directors and our President, Secretary and Treasurer, submitted a letter of resignation pursuant to which he resigned immediately from his position as our sole director and officer. The resignation of Mr. LIU is not in connection with any known disagreement with us on any matter.

Immediately prior to his resignation, (a) Mr. Liu appointed Li YUAN Yi YUAN and Xiaojun ZHUANG as members of our board of directors; Li YUAN was appointed to serve as our Chief Executive Officer and Kuanfu FAN as our Chief Financial Officer, Secretary and Treasurer.

For certain biographical and other information regarding the newly appointed officers and directors, see the “Form 10 Disclosure” included in this report under the headings “Directors and Executive Officers” and “Certain Relationships and Related Transactions”, which disclosure is incorporated herein by reference.

ITEM 5.03 AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR

On November 26, 2012, the Board of Directors of the Company approved changing the fiscal year-end of the Company from April 30 to May 31 as a result of the Inclusion Acquisition.

On November 27, 2012, the Company filed a Certificate of Amendment to its Articles of Incorporation (the “Amendment”) with the Office of the Secretary of State of Nevada to change its name from “NYC Moda Inc.” to “China Xuefeng Environmental Engineering Inc.” (the “Name Change”) and to effect a 4-for-1 forward split of the Company’s outstanding shares of common stock (the “Forward Split”). Both the Name Change and the Forward Split were approved by the Financial Industry Regulatory Authority (“FINRA”). The Name Change went effective on December 14, 2012 while the Forward Split went effective on December 17, 2012.

ITEM 5.06 CHANGE IN SHELL COMPANY STATUS

On November 27, 2012, the Company acquired Inclusion in a reverse acquisition transaction. Prior to the transactions contemplated by the Exchange Agreement, the Company was a shell company as defined in Rule 12b-2 under the Exchange Act. As a result of the transactions under the Exchange Agreement, the Company is no longer a shell company. The information with respect to the transactions set forth in Item 2.01 is incorporated herein by reference.

ITEM 5.07 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 26, 2012, the Company received a written consent signed by Zhenxing LIU the record owner of approximately 79.08% of the outstanding shares of common stock approving the Name Change and the Forward Split. Upon the effectiveness of the Forward Split, the Company’s outstanding shares of common stock increases from 10,300,000 to 41,200,000 shares.

FORM 10 DISCLOSURE

We are providing below the information that would be included in a Form 10 if we were to file a Form 10. Please note that the information provided below relates to the combined enterprises after the acquisition of Inclusion, except that information relating to periods prior to the date of the reverse acquisition only relate to Inclusion and its subsidiaries and controlled consolidated affiliate unless otherwise specifically indicated.

DESCRIPTION OF BUSINESS

BUSINESS OVERVIEW

We conduct our operations through our controlled consolidated affiliate Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (hereinafter referred to as “Jiangsu Xuefeng”). Jiangsu Xuefeng, founded on December 14th, 2007, is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

OUR CORPORATE HISTORY AND BACKGROUND

The Company was incorporated in the state of Nevada on March 30, 2011. The Company was initially created to engage in the business of clothing distribution. Since its inception and until the acquisition of Inclusion, the Company was a development stage company without significant assets or any revenue.

On November 27, 2012, the Company filed a certificate of amendment to its articles of incorporation to change its name from “NYC Moda Inc” to “China Xuefeng Environmental Engineering Inc” (the “Name Change”) and to effect a 4-for-1 forward stock split (the “Forward Split”) of its outstanding shares of common stock. Both the Name Change and the Forward Split were approved by the FINRA. The Name Change went effective on December 14, 2012 while the Forward Split went effective on December 17, 2012. Upon the effectiveness of the Forward Split, the number of outstanding shares of the Company’s common stock increases from 10,300,000 to 41,200,000 shares. The number of authorized shares of common stock continues to be 75,000,000 shares.

Acquisition of Inclusion

On November 27, 2012, we completed a reverse acquisition transaction through a share exchange with the Inclusion Shareholders, whereby we acquired 100% of the outstanding shares of Inclusion in exchange for a total of 7,895,000 shares of our common stock, representing 76.65% of our issued and outstanding shares of common stock. As a result of the reverse acquisition, Inclusion became our wholly-owned subsidiary and the former Inclusion Shareholders became our controlling stockholders. The share exchange transaction was treated as a reverse acquisition, with Inclusion as the acquirer and the Company as the acquired party for accounting purposes. Unless the context suggests otherwise, when we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Inclusion and its consolidated subsidiaries and variable interest entity.

Immediately prior to the Share Exchange, the common stock of Inclusion was owned by the following persons in the indicated percentages: Li YUAN (10%); Yi YUAN (8%); Bangmin ZHEN (4.9%); Changyung LIU (4.9%); Meiling CHEN (4.9%); Zibo LIU (4.9%); Wei SONG (4.9%); Xinyan SHAN (4.8%); Yongzhu WEI (4.7%); Houquan WU (4.7%); Xianqing QU (4.7%); Jinli YUAN (4.6%); Li LI (4.6%); Chun LI (4.5%); Baosheng ZHOU (4.5%); Heng SHI (4.4%); Qiaoyan ZHANG (4.1%); Wei LIU (4%); Yang LIU (4%); and Guangjing SONG (3.9%);

As a result of our acquisition of Inclusion, we now own all of the issued and outstanding capital stock of Lotus, which in turn owns all of the issued and outstanding capital stock Baichuang Consulting. In addition, we effectively and substantially control Jiangsu Xuefeng through a series of captive agreements with Baichuang Consulting.

Subsequent to the closing of the Exchange Agreement, we conduct our operations through our controlled consolidated affiliate Jiangsu Xuefeng. Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

The Company is located in C214, Fitting Integration Building, Fazhan Road to Suqian Gate Section. Our telephone number is +86 527-84370508.

Contractual Arrangements with our Controlled Consolidated Affiliate and its Shareholders

On October 17, 2012, prior to the reverse acquisition transaction, Baichuang Consulting and Jiangsu Xuefeng and its shareholders Li YUAN and Yi YUAN entered into a series of agreements known as variable interest agreements (the “VIE Agreements”) pursuant to which Jiangsu Xuefeng became Baichuang Consulting’s contractually controlled affiliate. The VIE Agreements included:

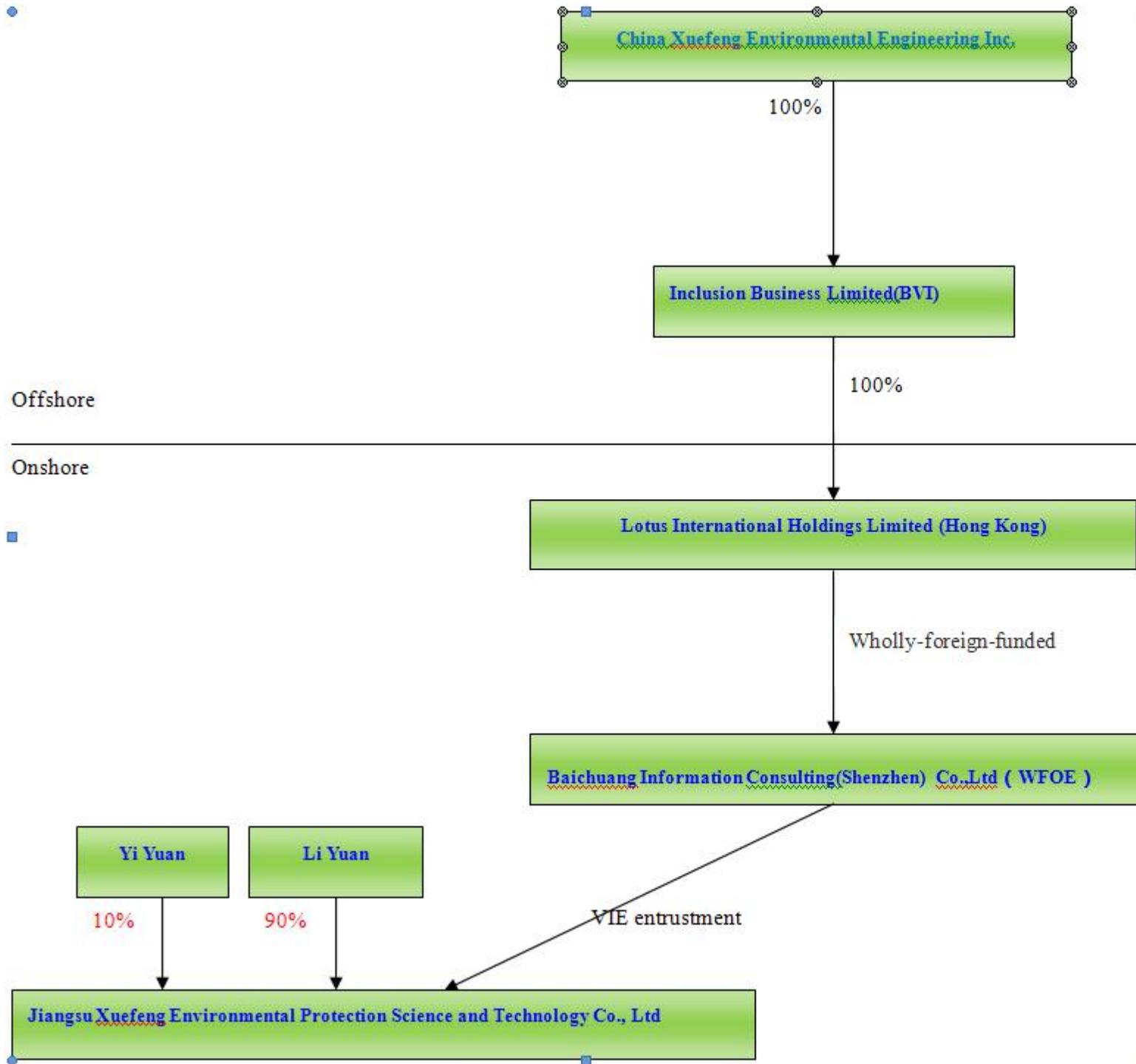
- (1) an Exclusive Technical Service and Business Consulting Agreement between Baichuang Consulting and Jiangsu Xuefeng pursuant to which Baichuang Consulting is to provide technical support and consulting services to Jiangsu Xuefeng in exchange for (i) 95% of the total annual net profit of Jiangsu Xuefeng plus (ii) RMB100,000 per month (U.S.\$15,873).
- (2) a Call Option Agreement among Li YUAN and Yi YUAN (together referred to as “Jiangsu Xuefeng Shareholders”), and Baichuang Consulting under which the Jiangsu Xuefeng Shareholders have granted to Baichuang Consulting the irrevocable right and option to acquire all of the equity interests in Jiangsu Xuefeng to the extent permitted by PRC law. If PRC law limits the percentage of Jiangsu Xuefeng that Baichuang Consulting may purchase at any time, then Baichuang Consulting may repeatedly exercise its option in such increments as may be allowed by PRC law. The exercise price of the option is RMB1.00 (\$0.16) or any lower price permitted by PRC law. The Jiangsu Xuefeng Shareholders agreed to refrain from taking certain actions which might harm the value of Jiangsu Xuefeng or Baichuang Consulting’s option;
- (3) a Proxy Agreement by Li YUAN and Yi YUAN pursuant to which they each authorize Baichuang Consulting to designate someone to exercise all of their shareholder decision rights with respect to Jiangsu Xuefeng; and
- (4) a Share Pledge Agreement among Li YUAN and Yi YUAN, Jiangsu Xuefeng, and Baichuang Consulting under which the Jiangsu Xuefeng Shareholders agree to pledge all of their equity in Jiangsu Xuefeng to Baichuang Consulting to guarantee Jiangsu Xuefeng’s and its shareholders’ performance of their obligations under the Exclusive Technical Service and Business Consulting Agreement, the Call Option Agreement and the Proxy Agreement.

The VIE Agreements with our Chinese affiliate and its shareholders, which relate to critical aspects of our operations, may not be as effective in providing operational control as direct ownership. In addition, these arrangements may be difficult and costly to enforce under PRC law. See “Risk Factors - Risks Relating to the VIE Agreements.”

The foregoing description of the terms of the Exclusive Technical Service and Business Consulting Agreement, the Call Option Agreement, the Proxy Agreement and the Share Pledge Agreement is qualified in its entirety by reference to the provisions of the agreements filed as Exhibits 10.1, 10.2, 10.3 and 10.4 to this report, respectively, which are incorporated by reference herein.

See “Related Party Transactions” for further information on our contractual arrangements with these parties.

After the exchange, our current organizational structure after giving effect to the name change is as follows:



Inclusion was established in the British Virgin Islands on August 9, 2012. Lotus was established in Hong Kong on May 2, 2012 to serve as an intermediate holding company with an authorized shares of 10,000 at HK\$1.00 per share. Baichuang Consulting was established by Lotus as a wholly foreign owned enterprise (the “WFOE”) in the PRC on September 5, 2012. Jiangsu Xuefeng, our operating consolidated affiliate, was established in the PRC on December 14, 2007. The local government of the PRC issued a certificate of approval regarding the foreign ownership of Baichuang Consulting by Lotus, a Hong Kong entity on September 5, 2012.

Mr. Li YUAN is the sole director and officer of Inclusion who owns 10% of outstanding shares of Inclusion. Mr. Yisha Yang GAO was the founder of Lotus and Mr. Xiaoran Zhang was the sole director of Lotus. Mr. Yisha Yang GAO transferred the 10,000 issued shares of Lotus to Mr. Li YUAN on September 28, 2012.

OVERVIEW

Jiangsu Xuefeng Environmental Protection Science & Technology Co., Ltd (hereinafter referred to as “Jiangsu Xuefeng”), founded in December 14th, 2007, is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

The Company is located at C214, Fitting Integration Building, Fazhan Road to Suqian Gate Section.

There are two shareholders in Jiangsu Xuefeng: 90% of the shares are owned by Li YUAN, and the remaining 10% of the shares are owned by Yi YUAN. Li YUAN is the chief executive officer and chairman of the company and Yi YUAN is the director of the company.

Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

Until August 31, 2012 the main revenue of Jiangsu Xuefeng was generated from providing improvement and upgrading services to garbage recycling processing plants. On August 5, 2012, Jiangsu Xuefeng entered into a lease agreement with Li Yuan, one of its stockholders for the use of a patent on garbage recycling processing technology, a Utility Model Patent of Comprehensive and Harmless Garbage Processing Equipment, issued by the State Intellectual Property Office (SIPO) on July 7, 2010 and valid for ten years (Patent Number: ZL 2009 2 0232893.7). The patent is owned by the CEO of the Company, Mr. Li Yuan,. The lease commenced on September 1, 2012 and expires in August 2017. Jiangsu Xuefeng expanded its business model from the sole service of providing upgrading to waste processing plants to also providing patent licensing based on its newly acquired use right of the patent technology. We use the patent technology to help the clients to upgrade their internal system or reconstruct the hardware equipment of the garbage processing equipment so that the equipment performance could reach the standard of our patent technology. After the upgrade and reconstruction, our patent technology will continue to be used in their equipments and we permit the clients to continue using our patent technology in their equipment for patent licensing revenue.

Therefore, under the new business model, Jiangsu Xuefeng could get revenues from two sources: first from improvement and upgrading services of garbage processing equipment; second from patent licensing for the use of the upgraded technology. License agreements will be offered to clients for a limited period of three to five years, within which period, the client shall pay patent royalties yearly to Jiangsu Xuefeng for their use of the equipment containing the patent technology.

PRODUCTS AND FACILITIES

Jiangsu Xuefeng's main business is currently providing equipment upgrading service for other garbage processing plants. Jiangsu Xuefeng plans to construct its own garbage processing plant to process various environmental wastes. Currently Jiangsu Xuefeng's main focus is to use its patented technology to update others' equipment, and develop a patent licensing service for the use of that technology.

Jiangsu Xuefeng provides equipment upgrading service for the other garbage processing plants. However, it mainly upgrades the internal control and operation system for the equipments to enable the patent technology installed into the equipment to make the garbage processing equipment reach the processing performance as the contract stipulated. During the internal system upgrading process, if any hardware equipment like the machine parts is required to be reconstructed, the clients will be responsible for the relevant purchase of hardware while we provide installation guidance or assisted installation.

The staffs apply the patent technology to the equipment of the clients to upgrade the performance of their equipments, therefore, the clients are required to pay the system upgrading and improvement fee to us. In addition, as we permit the clients to continue using the equipment containing our patent technology, they shall pay us royalty fees for the use of the patent technology.

For the three months ended August 31, 2012, Jiangsu Xuefeng's revenue was \$632,000, and for the twelve months ended May 31, 2012, the revenue was \$314,248, all from updating other companies' equipment. Revenue from patent licensing agreements should supplement.

CUSTOMERS

On April 4, 2012, Jiangsu Xuefeng entered into a technical service agreement with Maoshan Diversification Garbage Processing Plant ("Maoshan"), according to which, by April 20, 2012, Jiangsu Xuefeng would finish the upgrading and improvement of Maoshan's major garbage preprocessing equipment with the following improvements: 1. The equipment processing ability was to be upgraded from 140 cubic meters per hour to 220 cubic meters per hour; 2. The sediments in sorting the waste plastics was to drop from 40% to below 28%. Jiangsu Xuefeng charged a fee of 2 million RMB (approximately \$314,200) for the service and was paid in one lump sum at the completion of the service.

On June 2 2012, Jiangsu Xuefeng entered into another technical service agreement with Xuzhou Zhongze Oasis Garbage Processing Co, Ltd ("Zhongze"), according to which, by June 20, 2012, Jiangsu Xuefeng would finish the upgrading and improvement of Zhongze's major garbage preprocessing equipment with the following improvements: 1. The house garbage processing ability of one machine was to be upgraded from 300 tons a day to 500-550 tons a day; 2. Little sediments in sorting the plastics with a economic indicator of 80% to 90%. Jiangsu Xuefeng charged a fee of 1 million RMB (approximately \$158,000) for the service and it was paid in one lump sum at the completion of the service.

On August 4, 2012, Jiangsu Xuefeng entered into another technology licensing agreement with Suzhou Zhonghe Solid Waste Recovery Processing Co., Ltd. ("Zhonghe"), according to which, by August 20, 2012, Jiangsu Xuefeng would finish upgrading and improvement of Zhonghe's major garbage processing equipment. Jiangsu Xuefeng charged a fee of 3 million RMB (\$474,684) for the service and it

was paid in one lump sum within ten days upon signing of the contract. Jiangsu Xuefeng also licensed its technology to Zhonghe upon completion of the upgrading for five years at a royalty fee of 1.8 million RMB (\$284,400) per year.

OUR INDUSTRY

In the description below we rely on certain information and statistics regarding our industry and the economy in China from the reports published by National Bureau of Statistics of China and the PRC Ministry of Environmental Protection. We have no reason to believe that the information and statistics we cite are not accurate.

The Chinese industry of garbage processing is highly fragmented and in a very early-stage of development. Benefiting from a series of encouraging and supportive policies on garbage processing formulated by the Chinese government, the urban garbage processing industry has been in rapid development. The current market is primarily dominated by small regional companies, like Jiangsu Xuefeng, which account for approximately 90% of all environmental protection enterprises in China.

The volume of solid waste generated by industrial companies is directly correlates to the industrial rate of utilization of natural resources and is expected to grow by over 10% per year according to the National Bureau of Statistics of China. In addition, according to estimates from the PRC Ministry of Environmental Protection, the production of industrial waste was approximately 1.34 billion tons in 2010, excluding approximately 13 million tons of hazardous industrial waste.

According to the *Opinions on Further the Municipal Solid Waste Processing Service* issued by the Chinese government, the harmless garbage processing rate will reach over 80% by 2015. This anticipated increase creates a strong incentive for companies to improve their garbage processing capability. Thus the Chinese garbage processing industry has significant potential room for growth both in areas of equipment marketing and equipment upgrading and improvement.

Nationwide Innocuous Disposal Facilities MSW Facilities Construction Planning (2011-2015) (“Planning”), recently passed by the Chinese government, has gone into the implementation phase. In accordance with the *Planning*, the aggregate investment in the items of the *Planning* will reach RMB 260Billion Yuan (\$41.08 billion).

According to the *Environmental Protection Equipment “Twelfth Five-Year” Development Planning*, the yearly growth rate of environmental protection industry gross output during the Twelfth Five-Year period is 20% and will reach 500 billion yuan (\$79 billion) by 2015.

The *“Twelfth Five-Year” Energy Saving and Environmental Protection Industry Development Program* recently issued by the Chinese government will provide support for the energy saving and environmental protection industry in finance, tax and many other aspects and will also provide directional guidance to the industry’s development. Based on the “three years exemptions and three years reductions” tax preference that the energy saving and environmental protection enterprises have already acquired, and the tax applied to high and new tech enterprises enjoying special support from the government, the income tax rate that energy saving and environmental protection enterprises are subjected to is 15% lower than the customary tax of 25%.

Thus, recently issued policies reducing the cost of Jiangsu Xuefeng operations, and anticipated future industrial policies of the Chinese government show the Chinese government’s encouragement and support for the long term development of the environment waste processing industry, setting the stage for a larger market place for the environmental protection equipment upgrading and improvement business.

COMPETITION

Competitive Advantages

Jiangsu Xuefeng’s experience and technology combine to provide several competitive advantages:

1. Jiangsu Xuefeng mainly specializes in the upgrading and improvement of environmental protection equipment. The Chinese environmental protection equipment upgrading and improvement industry being in its early stage, there is a lot of development space for the company.

- Since Jiangsu Xuefeng has already successfully upgraded the garbage processing equipment for Yangzhou Maoshan Diversified Garbage Processing Plant, Xuzhou Zhongze Oasis Garbage Processing Co, Ltd, and Suzhou Zhonghe Solid Waste Recovery Processing Co., Ltd., Jiangsu Xuefeng has specialized experience in equipment upgrading. In the developing environmental protection industry, such specialization should position Jiangsu Xuefeng at the cutting edge of the field. Jiangsu Xuefeng believes it is uniquely positioned to take advantage of industry growth opportunities.

Competitive Disadvantages

With the increasing development of Chinese science and technology and the government attention paid to independent innovation, the rising environmental protection industry has huge room for development. The rapid development of China's environmental protection industry can be attributed to government initiative and encouragement, yearly increasing investment in environmental protection programs, and the realization of the potential demand of the environmental protection market.

The future development of Jiangsu Xuefeng will bear the following operating risks:

1. The issue of environmental protection is increasingly emphasized by the Chinese government. In light of this rapid growth, the Chinese government may formulate strictly uniform standards governing technology and equipment. Jiangsu Xuefeng may have to commit more R&D funds and other expenses to conform to the regulations and rules implemented by the Chinese government.
2. If the cost of Jiangsu Xuefeng's garbage processing equipment upgrading is too high, it will limit the profit level of Jiangsu Xuefeng and further limit its sustainable development.

OUR GROWTH STRATEGY

As industrial development continues its rapid increase in growth, the demand for the Company should also increase rapidly. The Company hopes to seize the opportunity to use industrial growth of both large and medium-size enterprises, establishing cooperative relationships with high-quality customers by fully using its advantages in waste processing technology providing customers with improved environmental solutions and larger scale processing capability.

The Company will further perfect the equipment upgrading business

Jiangsu Xuefeng will make the best use of patented technology of comprehensive and harmless garbage processing equipment to carry on the improvement and upgrading service for Chinese clients and generate steady service revenue. In addition, patent license agreements will be offered to clients for a limited period of three to five years, within which period, the client shall pay patent royalties yearly to Jiangsu Xuefeng for their use of the equipment containing the patent technology thus providing the Company with an additional source of revenue.

The Company will establish an equipment manufacturing and sales center.

While continuing to provide equipment upgrading services, Jiangsu Xuefeng intends to establish a garbage processing equipment manufacturing and sales center to meet the anticipated market needs for Chinese garbage processing equipment, gradually branching further into the Chinese garbage processing equipment market and improving the Company's revenue.

The Company plans to also undertake technical cooperation with key domestic and foreign R&D institutions and industry partners. Keeping abreast of domestic and foreign technical developments, the Company plans to make use of international and domestic newly advanced technology in comprehensive garbage processing with high daily processing capacity. The Company plans to constantly expand marketing channels and increase its market shares.

MARKETS, SALES AND DISTRIBUTION

Jiangsu Xuefeng markets its products through improving the processing efficiency and range of garbage processing equipment for its customers by signing technology service contracts with new customers advertising through its successful current cooperation with existing clients.

INTELLECTUAL PROPERTY

The Company acquired the use right of the “patent technology of comprehensive and harmless garbage processing equipment” that passed the ISO9001:2008 International Quality Management System Certification through the Patent Licensing Service Agreement signed with one of our shareholders, Li Yuan. The Licensing Agreement commenced on September 1, 2012 with a monthly payment from the Jiangsu Xuefeng to Li YUAN of approximately \$12,600 (RMB 80,000). The Licensing Agreement expires in July 2017.

Comprehensive and Harmless Garbage Processing Equipment is a Utility Model Patent issued by the State Intellectual Property Office (SIPO) on July 7, 2010 and valid for ten years (Patent Number: ZL 2009 2 0232893.7). It is owned by the Chairman and shareholder Li Yuan, who licensed this patent to Jiangsu Xuefeng on August 5, 2012. This patented technology is for the treatment of complex municipal solid waste including sorting and classification, leaving no pollution and no residue.

PROPERTIES

Jiangsu Xuefeng leases office space under a one-year operating lease from an unrelated third party, expiring March 31, 2013. The lease requires Jiangsu Xuefeng to prepay the one year rental of \$7,044 (RMB44,664). The related prepayments of \$4,109 and \$5,870 are included in the prepaid expenses on the balance sheets as of August 31, 2012 and May 31, 2012, respectively. The lease provides for renewal options. Rent expense charged to operations for the three months ended August 31, 2012 and 2011 was \$1,764 and \$1,732, respectively.

On March 23, 2012, Jiangsu Xuefeng entered into an agreement with an independent third party to acquire a 50-year land use right for construction of a factory facility for cash consideration of US\$851,580, equivalent to RMB 5,400,000, of which US\$788,500, equivalent to RMB 5,000,000 was paid before August 31, 2012. As of August 31, 2012, the land used right had not been obtained and no certificate for the use of land had been issued to Jiangsu Xuefeng.

The agreement provides terms that under certain circumstances, such as delay in construction, Jiangsu Xuefeng may be subject to a penalty of up to 20% of the payment for the land use right, or forfeiture of the land use right.

REGULATION

Because our operating affiliate Jiangsu Xuefeng is located in the PRC, our business is regulated by the national and local laws of the PRC. We believe our conduct of business complies with existing PRC laws, rules and regulations.

Environmental Law

Jiangsu Xuefeng is subject to China’s national Environmental Protection Law, which was enacted on December 26, 1989, as well as a number of other national and local laws and regulations governing landfills, air, water, and noise pollution and establishing pollutant discharge standards for wastewater.

On July 1, 2004, the PRC central government adopted the Measures for the Administration of Permit for Operation of Dangerous Wastes (the “Measures”). The Measures are intended to strengthen supervision and administration of activities relating to the collection, storage and disposal of dangerous wastes, and preventing dangerous wastes from polluting the environment.

Both the PRC Ministry of Environment Protection and local bureaus of environmental protection, license and regulate companies engaged in waste disposal and treatment in China. The requirements for licensing have become more stringent, with applicants having to demonstrate a sufficient operating history and a number of professional technicians, as well as comply with national and local environmental standards. The licensing process is also very time consuming and requires lengthy lead times.

General Regulation of Businesses

We believe we are in material compliance with all applicable labor and safety laws and regulations in the PRC, including the PRC Labor Contract Law, the PRC Production Safety Law, the PRC Regulation for Insurance for Labor Injury, the PRC Unemployment Insurance Law, the PRC Provisional Insurance Measures for Maternity of Employees, PRC Interim Provisions on Registration of Social Insurance, PRC Interim Regulation on the Collection and Payment of Social Insurance Premiums and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time, for our operations in the PRC.

According to the PRC Labor Contract Law, we are required to enter into labor contracts with our employees. We are required to pay no less than local minimum wages to our employees. We are also required to provide employees with labor safety and sanitation conditions meeting PRC government laws and regulations and carry out regular health examinations of our employees engaged in hazardous occupations.

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Currency Administration Rules (1996), as amended (2008). Under these Rules, RMB is freely convertible for current account items, such as trade and service-related foreign exchange transactions, but not for capital account items, such as direct investment, loan or investment in securities outside China unless the prior approval of, and/or registration with, the State Administration of Foreign Exchange of the People's Republic of China, or SAFE, or its local counterparts (as the case may be) is obtained.

Pursuant to the Foreign Currency Administration Rules, foreign invested enterprises, or FIEs, in China may purchase foreign currency without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, if a foreign company acquires a company in China, the acquired company will also become an FIE. However, the relevant PRC government authorities may limit or eliminate the ability of FIEs to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions for direct investment, loan and investment in securities outside China are still subject to limitations and require approvals from, and/or registration with, SAFE.

Regulation of Income Taxes

On March 16, 2007, the National People's Congress of China passed the Enterprise Income Tax Law, or the EIT Law, and its implementing rules, both of which became effective on January 1, 2008. The EIT Law and its implementing rules impose a unified EIT rate of 25.0% on all domestic-invested enterprises and FIEs, unless they qualify under certain limited exceptions.

Under the EIT Law, companies designated as High- and New-Technology Enterprises may enjoy a reduced national EIT rate of 15%. The Administrative Measures for Assessment of High-New Tech Enterprises and Catalogue of High/New Tech Domains Strongly Supported by the State (2008), jointly issued by the Ministry of Science and Technology and the Ministry of Finance and State Administration of Taxation set forth general guidelines regarding criteria as well as application procedures for qualification as a High- and New-Tech Enterprise under the EIT Law.

In addition to the changes to the current tax structure, under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a resident enterprise and will normally be subject to an EIT of 25% on its global income. The implementing rules define the term “de facto management bodies” as “an establishment that exercises, in substance, overall management and control over the production, business, personnel, accounting, etc., of a Chinese enterprise.” If the PRC tax authorities subsequently determine that we should be classified as a resident enterprise, then our organization's global income will be subject to PRC income tax of 25%. For detailed discussion of PRC tax issues related to resident enterprise status, see “Risk Factors – Risks Related to Our Business – Under the 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.”

Our future effective income tax rate depends on various factors, such as tax legislation, the geographic composition of our pre-tax income and non-tax deductible expenses incurred. Our management carefully monitors these legal developments and will timely adjust our effective income tax rate when necessary.

Dividend Distribution

Under applicable PRC regulations, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a FIE in China is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reach 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a FIE has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

The EIT Law and its implementing rules generally provide that a 10% withholding tax applies to China-sourced income derived by non-resident enterprises for PRC enterprise income tax purposes unless the jurisdiction of incorporation of such enterprises' shareholder has a tax treaty with China that provides for a different withholding arrangement. Baichuang Consulting is considered a FIE and is directly held by our subsidiary in Hong Kong, Lotus. According to a 2006 tax treaty between the Mainland and Hong Kong, dividends payable by an FIE in China to the company in Hong Kong who directly holds at least 25% of the equity interests in the FIE will be subject to a no more than 5% withholding tax. We expect that such 5% withholding tax will apply to dividends paid to Lotus by Baichuang Consulting, but this treatment will depend on our status as a non-resident enterprise.

On August 8, 2006, six Chinese government agencies, namely, the Ministry of Commerce, or MOFCOM, the State Administration for Industry and Commerce, or SAIC, the China Securities Regulatory Commission, or CSRC, the State Administration of Foreign Exchange, or SAFE, the State Assets Supervision and Administration Commission, or SASAC, and the State Administration for Taxation, or SAT, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, referred to as the “New M&A Rules”, which became effective on September 8, 2006. The New M&A Rules purport, among other things, to require offshore “special purpose vehicles,” that are (1) formed for the purpose of overseas listing of the equity interests of Chinese companies via acquisition and (2) are controlled directly or indirectly by Chinese companies and/or Chinese individuals, to obtain the approval of the CSRC prior to the listing and trading of their securities on overseas stock exchanges. Based on our understanding of current Chinese Laws and pursuant to a legal opinion issued by Jilin Changchun Law Firm dated October 17, 2012, (i) Baichuang Consulting was incorporated by a foreign investor and therefore has no Chinese shareholders; (ii) the share exchange between Inclusion and the Company, is between two offshore companies and is not deemed as a transaction to acquire equity or assets of a “Chinese domestic company” as defined under the New M&A Rules and (iii) no provision in the New M&A Rules clearly classifies the contractual arrangements between Baichuang Consulting and Jiangsu Xuefeng as a type of transaction falling within the New M&A Rules.

The SAFE issued a public notice in October 2005, or the Circular 75, requiring Chinese residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of Chinese companies, referred to in the Circular 75 as special purpose vehicles, or SPVs. Chinese residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before June 30, 2006. Further, Chinese residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments.

Pursuant to the Circular 698, where a foreign investor transfers the equity interests of a Chinese resident enterprise indirectly via disposing of the equity interests of an overseas holding company, which we refer to as an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report such Indirect Transfer to the competent tax authority of the Chinese resident enterprise. The Chinese tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement in order to avoid Chinese tax, they will disregard the existence of the overseas holding company and re-characterize the Indirect Transfer and as a result, gains derived from such Indirect Transfer may be subject to Chinese withholding tax at the rate of up to 10%. Circular 698 also provides that, where a non-Chinese resident enterprise transfers its equity interests in a Chinese resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

INSURANCE

Insurance companies in China offer limited business insurance products. While business interruption insurance is available to a limited extent in China, we have determined that the risks of interruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, we could face liability from the interruption of our business as summarized under “Risk Factors – Risks Related to Our Business – We do not carry business interruption insurance so we could incur unrecoverable losses if our business is interrupted.”

OUR EMPLOYEES

As of August 31, 2012, we had a total of 32 employees. The Company employs a highly qualified team of technically trained personnel. Among the Company’s employees, 11 have environmental assessment engineer degrees and 10 have ecological and environmental protection planning qualifications. This team provides support for clients when the Company upgrades waste management systems with our new patented technology.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Notes Regarding Forward-Looking Statements" immediately following these risk factors for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this report.

Risks Related to our Business

We are an emerging growth company and as such must comply with certain reporting standards.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will be subject to the reporting and other requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Protection Act. These rules and regulations will require, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition and establish and maintain effective disclosure and financial controls and corporate governance practices. We expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly, particularly after we are no longer an "emerging growth company" as defined in the recently enacted Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives.

If we take advantage of specified reduced disclosure requirements applicable to an "emerging growth company" under the JOBS Act, the information that we provide to stockholders may be different than they might receive from other public companies.

As a company with less than \$1 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" under the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- Only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure.
- Reduced disclosure about our executive compensation arrangements.
- No non-binding advisory votes on executive compensation or golden parachute arrangements.
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1 billion in annual revenues, we have more than \$700 million in market value of our stock held by non-affiliates, or we issue more than \$1 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these reduced burdens. We have not taken advantage of any of these reduced reporting burdens in this report, although we may choose to do so in future filings. If we do, the information that we provide stockholders may be different than you might get from other public companies in which you hold stock.

We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

The JOBS Act permits "emerging growth companies" like us to rely on some of the reduced disclosure requirements that are already available to companies having a public float of less than \$75 million, for as long as we qualify as an emerging growth company or smaller reporting company. As long as we are qualified as “emerging growth company” or “smaller reporting company”, we are permitted to omit the auditor's attestation on internal control over financial reporting that would otherwise be required by the Sarbanes-Oxley Act. Companies with a public float of \$75 million or more must otherwise procure such an attestation beginning with their second annual report after their initial public offering. For as long as we qualify as an emerging growth company, we are also excluded from the requirement to submit "say-on-pay", "say-on-pay frequency" and "say-on-parachute" votes to our stockholders and may avail ourselves of reduced executive compensation disclosure compared to larger companies.

In addition, Section 107 of the JOBS Act also provides that, as an emerging growth company, we can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates" for further discussion of the extended transition period for complying with new or revised accounting standards.

Until we cease to be an emerging growth company, we cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our failure to effectively compete in the waste processing market may have a material adverse effect on our growth prospects and our ability to generate revenue.

We currently compete primarily on the basis of our ability to secure contracts with waste processing companies, and local government entities in Jiangsu Province, China and surrounding areas for the updating of waste processing equipment. The Company is embarking on a new area of growth in licensing the use of our patented technology used in these updates and in beginning to establish our own waste processing centers. There can be no absolute assurance that we will be able to complete such expansion without losses or that our competitors will not develop at a faster rate and offer more favorable arrangements to our current and future customers. We expect that we will be required to continue to invest in research and development and building waste treatment and disposal infrastructure.

Our competitors include both domestic companies and international companies operating in the waste processing industry in China. Some of these competitors have significantly greater financial and marketing resources and name recognition than that of our company at this point. As the Chinese government continues to support and encourage the development of the environmentally sound waste processing industry, more domestic and international competitors may enter the market. We believe that the Chinese market for our services is subject to intense regional competition, with a relatively limited number of large competitors. While the Company effectively competes in our current focus of updating waste processing equipment for centers in our primary regional market of Jiangsu Province and surrounding areas, our reach outside this primary market and beyond our current focus has yet to be tested and we will necessarily face new competitors in the other geographic markets into which we plan to expand. If the Chinese government continues to emphasize the spending on environmental protection and continues to allocate funds to our industry, the number of our competitors throughout China, both domestic and foreign companies, will likely increase, so we cannot assure you that we will be able to compete successfully against any new or existing competitors, or against any new technologies our competitors may develop or implement. All of these competitive factors could have a material adverse effect on our revenues, profitability and growth prospects.

The waste processing industry is highly regulated and our business depends on governmental permits and certifications to operate our business, the loss of any of which would have a material adverse impact on our business.

Only those companies that have been granted operating licenses issued by the PRC central and local governments are permitted to engage in the industrial waste treatment and disposal business in China. Our company is currently fully licensed to carry out our core business of updating and improving waste processing equipment, however, expansion into our own waste processing center in the future will require new licenses for which we will apply. The central and local governments of the PRC impose strict requirements on companies regarding the technology which must be employed and the qualifications and training of management employees which must be maintained. While we possess the necessary permits and certifications to operate our business, our regulatory approvals authorizing our operations and activities are subject to periodic review, reassessment and renewal by Chinese authorities. Standards of compliance necessary to pass such reviews change from time to time and differ from jurisdiction to jurisdiction, leading to a degree of uncertainty. If our licenses and permits are revoked, substantially modified or not renewed or if additional permits, business licenses or approvals that may become necessary in connection with our business are not granted or are delayed, we may suffer adverse consequences. As a result, the termination or suspension of our licenses to operate would have a material adverse impact on our revenue and business.

If we fail to introduce new products or services or our existing products and services do not meet the requirements of our customers, we may not gain or may lose market share.

Our continued growth is dependent upon our ability to generate increased revenue from our existing customers, obtain new customers and raise capital from outside sources. While our current technology is at the forefront of industry developments, in order to maintain that advantage we will need to continue to pursue innovative solutions to meet our customers' needs. We believe that in order to continue to capture additional market share and generate additional revenue, we will have to raise more capital to fund the construction and installation of new facilities and to obtain additional equipment to collect, process and dispose of industrial waste and recycle waste for our existing and future customers. We anticipate that such funding will be provided through a variety of sources including bank loans, equity financing and net cash flow generated from operations.

In the future we may be unable to obtain the necessary financing for our capital requirements on a timely basis or on acceptable terms, which may prevent or delay the planned expansion of our service offerings. Our failure to provide new products or services may prevent us from retaining customers or gaining new customers, which may adversely affect our financial position, competitive position, growth and profitability. Our ability to obtain acceptable financing at any time may depend on a number of factors, including, our financial condition and results of operations; the condition of the PRC economy and the industrial waste treatment industry in the PRC, and conditions in relevant financial markets in the United States, PRC and elsewhere in the world.

The rapid expansion of our business could strain our resources and adversely affect our ability to effectively control and manage our growth.

If our business and markets grow and develop as planned, it will be necessary for us to finance and manage expansion in an efficient manner. We may face challenges in managing our waste processing equipment updating business over an expanded geographical area as well as managing expanded service offerings, including, among other things, waste processing services and patent licensing. Such eventualities will increase demands on our existing management, workforce and facilities. Failure to satisfy such increased demands could interrupt or adversely affect our operations and cause administrative inefficiencies.

Waste processing operations can be hazardous and may subject us to civil liabilities as a result of hazards posed by such operations.

Waste processing operations are subject to potential hazards incident to the gathering, processing and storage of industrial hazardous waste such as explosions, product spills, leaks, emissions and fires. These hazards can cause personal injury and loss of life, severe damage to and destruction of property and equipment, and pollution or other environmental damage, and may result in the curtailment or suspension of operations at the affected facility. Consequently, we may face civil liabilities in the ordinary course of our business as we update the equipment which performs this process at clients' waste processing plants and as we branch into our own waste processing business. As the environmental protection industry in China is in its developing stage, there is no comprehensive insurance available to cover environmental liabilities. Although we have not faced any civil liabilities in the ordinary course of our waste processing equipment updating operations, there is no assurance that we will not face such liabilities in the future. If such liabilities occur in the future, they may have a material adverse effect on our results of operations, financial condition and business prospects.

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations and have a material adverse effect on our financial condition, operating results and growth prospects.

Our success to date has been largely due to the contributions of our current management team, especially Chairman Li Yuan. The continued success of our business is very much dependent on the experience of the members of our management team and the goodwill that they have developed in the industry to date. As a result, our continued success is dependent, to a large extent, on our ability to retain the services of our management team and key personnel. The loss of the services of any of our management team or key personnel due to resignation, retirement, illness or otherwise without suitable replacement or the inability to attract and retain qualified personnel would have a material adverse effect on our operations and may reduce our profitability and the return on your investment. We do not currently maintain key man insurance covering our key personnel.

If we fail to adequately protect or enforce our intellectual property rights, we may be exposed to intellectual property infringement and the value of our intellectual property rights could diminish.

If we need to initiate litigation or administrative proceedings to enforce or protect our intellectual property rights, such actions may be costly and may divert management attention as well as expend other resources which could otherwise have been devoted to our business. An adverse determination in any such litigation could impair our intellectual property rights and may harm our business, prospects and reputation. In addition, historically, implementation of PRC intellectual property-related laws has been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries, which increases the risk that we may not be able to adequately protect our intellectual property. Given the relative unpredictability of China's legal system and potential difficulties enforcing a court judgment in China, there is no guarantee that we would be able to halt any unauthorized use of our intellectual property through litigation which may cause us to lose our competitive advantage and adversely affect our business and profitability.

We may face claims for infringement of third-party intellectual property rights.

We may face claims from third parties in respect of the infringement of any intellectual property rights owned by such third parties. There is no assurance that third parties will not assert claims to our processes, technologies and systems. In such an event, we may need to acquire licenses to, or to contest the validity of, issued or pending patents or claims of third parties. There can be no assurance that any license acquired under such patents would be made available to us on acceptable terms, if at all, or that we would prevail in any such contest. In addition, we would incur substantial costs and spend substantial amounts of time in defending ourselves in or contesting suits brought against us for alleged infringement of another party's patent rights. As such, our operations and business may be adversely affected by such civil actions. We rely on trade secrets, technology and know-how. There can be no assurance that other parties may not obtain knowledge of our trade secrets and processes, technology and systems. Should these events occur, our business would be affected and our profitability reduced.

A significant portion of our revenue is dependent on the performance of the customers of our waste processing equipment upgrading business. If we were to become over dependent on only a few customers rather than growing our customer bases, such dependency could have a material adverse effect on our business, operating results and financial condition.

Our equipment upgrading business relies on the continued development of the waste treatment industry in China and the ability of our customer base to continue to meet those growing needs and realize a need for the increased processing capabilities of our technology. As a result, our waste processing equipment upgrading business is influenced by the volume of waste processed by our customers. Should any of our current customers cease to require the use of our technology, and if we are unable to grow our customer base on a timely basis, our operations, revenue and profitability could be materially and adversely affected.

BOT (Build-Operate-Transfer) projects that we may be awarded could be adversely affected by cost overruns, project delays and/or incorrect estimation of project costs.

The company plans to establish its own waste processing centers as an extension of its current business. However, any future BOT projects we may be awarded will require us to incur high up-front expenditures. Therefore, it is important that we manage such projects efficiently in terms of time, procurement of materials and allocation of resources. If our initial cost estimates are incorrect or delays occur in a project resulting in cost overruns, the profitability of that project could be adversely affected. Cost overruns due to additional rectification work and delays in completion of projects or delivery of waste to our new processing center would adversely affect our profitability. We may also face potential liability from legal suits brought against us by our government customers for causing loss due to any delay in completing a project. In addition, we may also face potential liability from legal suits brought against us by our customers who have suffered loss due to such mismanagement or mistakes. This would also adversely affect our profitability and financial position.

Substantially all of our business operations are concentrated in Jiangsu and surrounding areas, and expose us to regional economic or market declines.

Substantially all of our revenues are generated from Jiangsu, China. Our current customer base is comprised of companies located in Jiangsu and surrounding areas. As a result, any adverse economic developments in Jiangsu could affect regional waste generation rates and demand for waste processing services which we intend to provide in the future or waste processing equipment upgrades which we currently provide to waste processing centers in Jiangsu. In addition, adverse market developments caused by increased waste disposal capacity from our competitors in this region could adversely affect waste disposal pricing. While one of our main growth strategies is to expand into other geographic markets in China, the occurrence of any adverse economic developments in Jiangsu and surrounding areas could have a material adverse effect on our business, financial condition and growth prospects.

We are subject to risks relating to expanding into other geographic markets in China outside of our principal market of Jiangsu.

To take advantage of industrialization outside of Jiangsu and to expand our service offerings to other geographic markets, we plan to establish centers for waste processing both within Jiangsu and expanding into other areas of the country. We intend to build and operate waste treatment facilities gradually as the company develops as a commercial zone.

Expansion into new geographic markets will require us to comply with rules and regulations of the applicable local government, and to address certain business issues particular to each market depending on the development and demand of customers within that market. As a result, there may be a significant period of time before any facility that we construct develops a consistent revenue stream. Accordingly, any delays or interruptions in implementing our expansion strategy or our business operations outside of Jiangsu may have a material adverse effect on our growth prospects, profitability and financial condition.

Relaxed enforcement of PRC environmental laws and governmental approvals and non-compliance by new and existing customers could have an adverse effect on our business, financial condition and growth prospects.

Companies operating in the waste treatment and disposal industry are subject to China's national Environmental Protection Law as well as a number of other national and local laws and regulations governing air, water, noise pollution and establishing pollutant discharge standards. In addition, such companies are subject to stringent licensing and certification requirements imposed by the PRC Ministry of Environmental Protection and the provincial environmental bureaus, which has created high barriers to entry for potential market participants. However, the urbanization and industrialization from China's rapid economic growth has created an increased need for waste treatment services from solid waste disposal to sewage and sludge treatment. In order to help meet the demand for such services, the central government may not strictly enforce the compliance with environmental laws and relax certain conditions to gaining governmental licensing and approvals. If such an event were to occur, there would be more competitors to our business operations and customers may turn to less expensive competitors for their waste disposal needs, which in turn, would have an adverse effect on our business, financial condition and grow prospects.

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

The value of our common stock will be indirectly affected by the foreign exchange rate between U.S. dollars and RMB and between those currencies and other currencies in which our sales may be denominated. Appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. Fluctuations in the exchange rate will also affect the relative value of any dividend we issue that will be exchanged into U.S. dollars as well as earnings from, and the value of, any U.S. dollar-denominated investments we make in the future.

Since July 2005, the RMB is no longer pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Under the EIT Law, we may be classified as a 'resident enterprise' of China

Under the New Income Tax Law, enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and their global income will generally be subject to the uniform 25.0% enterprise income tax rate. On December 6, 2007, the PRC State Council promulgated the Implementation Regulations on the New Income Tax Law (the "Implementation Regulations"), which define "de facto management bodies" as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In addition, a recent circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a "resident enterprise" with its "de facto management bodies" located within the PRC if the following requirements are satisfied:

- (i) the senior management and core management departments in charge of its daily operations function mainly in the PRC;
- (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC;

(iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and

(iv) more than half of the enterprise's directors or senior management with voting rights reside in the PRC.

Because the EIT Law, its implementing rules and the recent circular are relatively 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 non-China source income would be subject to PRC enterprise income tax at a rate of 25%. Second, although under the EIT Law and its implementing rules dividends paid to us from our PRC subsidiary would 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.

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 our U.S. tax.

We do not carry business interruption insurance so we could incur unrecoverable losses if our business is interrupted

We are subject to risk inherent to our business, including equipment failure, theft, natural disasters, industrial accidents, labor disturbances, business interruptions, property damage, product liability, personal injury and death. We do not carry any business interruption insurance or third-party liability insurance or other insurance to cover risks associated with our business. As a result, if we suffer losses, damages or liabilities, including those caused by natural disasters or other events beyond our control and we are unable to make a claim against a third party, we will be required to bear all such losses from our own funds, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Doing Business in the PRC

We face the risk that changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of such business.

The PRC's economy is in a transition from a planned economy to a market oriented economy subject to five-year and annual plans adopted by the central government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions of the PRC. The PRC government has confirmed that economic development will follow the model of a market economy. Under this direction, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, we cannot assure you that this will be the case. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Although the PRC government has been pursuing economic reform policies for more than two decades, we cannot assure you that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social environment.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business.

The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions like the U.S., decided cases (which may be taken as reference) do not form part of the legal structure of the PRC and thus have no binding effect on subsequent cases with similar issues and fact patterns. Furthermore, in line with its transformation from a centrally-planned economy to a more free market-oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to further changes. For example, the PRC government may impose restrictions on the amount of service fees that may be payable by municipal governments to wastewater and sludge treatment service providers. Also, the PRC central and municipal governments may impose more stringent environmental regulations which would affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability.

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 adverse effect on our business.

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 criminal proceedings. We are required to comply with PRC laws and regulations. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our operations, financial condition, and business prospects.

A slowdown or other adverse developments in the PRC economy or other major economies all over the world may have a material adverse effect on our customers' demand for our services and our business.

All of our revenues are currently generated in the PRC where all of our business operations are conducted. Although the PRC economy has grown significantly in recent years, we cannot assure you that such growth will continue. Moreover, China enjoys an export-oriented economy and it relies on external demand. The industrial waste treatment industry in the PRC is relatively new and growing, but we do not know how sensitive we are to a slowdown in economic growth or other adverse changes in the PRC economy which may affect demand for our products and services. A slowdown in overall economic growth, an economic downturn or recession or other adverse economic developments in the PRC or other major economies all over the world may materially reduce the demand for our products and services, which could have a material adverse effect on our business.

Inflation in the PRC could negatively affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austere policy can lead to a slowing of economic growth, which may have an adverse effect on our business operations and financial condition.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi, or RMB, into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive all of our revenues in RMB, which is currently not a freely convertible currency. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay expenses and dividends, or otherwise satisfy foreign currency dominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies.

The PRC government also may at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

The fluctuation of RMB may materially and adversely affect your investment.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. As we rely entirely on revenues earned in the PRC, any significant revaluation of RMB may materially and adversely affect our cash flows, revenues and financial condition. For example, to the extent that we need to convert U.S. dollars we receive from an offering of our securities into RMB for our operations, appreciation of the RMB against the U.S. dollar could cause the RMB equivalent of U.S. dollars to be reduced and therefore could have a material adverse effect on our business, financial condition and results of operations. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making dividend payments on our common stock or for other business purposes and the U.S. dollar appreciates against the RMB, the U.S. dollar equivalent of the RMB we convert would be reduced. In addition, the depreciation of significant U.S. dollar denominated assets could result in a change to our operations and a reduction in the value of these assets.

Because our principal assets are located outside of the United States and all of our directors and all our officers reside outside of the United States, it may be difficult for you to enforce your rights based on U.S. Federal Securities Laws against us and our officers and directors or to enforce a judgment of a United States court against us or our officers and directors in the PRC.

All of our directors and officers reside outside of the United States. In addition, substantially all of our assets are located outside of the United States. It may therefore be difficult for investors in the United States to enforce their legal rights based on the civil liability provisions of the U.S. Federal securities laws against us in the courts of either the U.S. or the PRC and, even if civil judgments are obtained in U.S. courts, to enforce such judgments in PRC courts. Further, it is unclear if extradition treaties now in effect between the United States and the PRC would permit effective enforcement against us or our officers and directors of criminal penalties, under the U.S. Federal securities laws or otherwise.

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources.

Since the adoption of the "open door policy" in 1978 and the "socialist market economy" in 1993, the PRC government has been reforming and is expected to continue to reform its economic and political systems. Any changes in the political or economic policy of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our financial performance. While the current policy of the PRC government seems to be one of imposing economic reform policies to encourage foreign investments and greater economic decentralization, there is no assurance that such a policy will continue to prevail in the future.

While the PRC economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Since early 2004, the PRC government has implemented certain measures to control the pace of economic growth. Such measures may cause a decrease in the level of economic activity in China, including the manufacturing output of our customers, which, in turn, could adversely affect our results of operations, financial condition and business prospects.

Failure to comply with the U.S. Foreign Corrupt Practices Act and Chinese anti-corruption laws could subject us to penalties and other adverse consequences.

We are required to comply the China's anti-corruption laws and 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 of our competitors, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in mainland China. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage. Although we inform our personnel that such practices are illegal, we cannot assure you that our employees or other agents 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. In addition, our brand and reputation, our sales activities or the price of our ordinary shares could be adversely affected if we become the target of any negative publicity as a result of actions taken by our employees or other agents.

We do not have liability business interruption, litigation or natural disaster insurance.

The insurance industry in China is still at an early stage of development. In particular PRC insurance companies offer limited business products. As a result, we do not have any business liability, disruption insurance or any other forms of insurance coverage for our operations in China. Any potential liability, business interruption, litigation or natural disaster may result in our business incurring substantial costs and the diversion of resources.

Restrictions under PRC law on our PRC subsidiary's ability to make dividends and other distributions could materially and adversely affect our ability to grow, make investments or complete acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses

Substantially all of our revenues are earned by our PRC subsidiary. However, PRC regulations restrict the ability of our PRC subsidiary to make dividend and other payments to its offshore parent company. PRC legal restrictions permit payments of dividend by our PRC subsidiary only out of its accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of our annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amounts in said fund reaches 50% of our registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

Failure to comply with PRC regulations relating to the Foreign Exchange Registration for Oversea Investment and Return Investment by PRC resident

In October 2005, SAFE issued the Notice on Relevant Issues in the Foreign Exchange Control over Financing and Return Investment Through Special Purpose Companies by Residents Inside China, generally referred to as Circular 75, which required PRC residents to register with the competent local SAFE branch before establishing or acquiring control over an offshore special purpose company, or SPV, for the purpose of engaging in an equity financing outside of China on the strength of domestic PRC assets originally held by those residents. Internal implementing guidelines issued by SAFE, which became public in June 2007 (known as Notice 106), expanded the reach of Circular 75 by (1) purporting to cover the establishment or acquisition of control by PRC residents of offshore entities which merely acquire “control” over domestic companies or assets, even in the absence of legal ownership; (2) adding requirements relating to the source of the PRC resident’s funds used to establish or acquire the offshore entity; covering the use of existing offshore entities for offshore financings; (3) purporting to cover situations in which an offshore SPV establishes a new subsidiary in China or acquires an unrelated company or unrelated assets in China; and (4) making the domestic affiliate of the SPV responsible for the accuracy of certain documents which must be filed in connection with any such registration, notably, the business plan which describes the overseas financing and the use of proceeds. Amendments to registrations made under Circular 75 are required 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, and Notice 106 makes the offshore SPV jointly responsible for these filings. In the case of an SPV which was established, and which acquired a related domestic company or assets, before the implementation date of Circular 75, a retroactive SAFE registration was required to have been completed before March 31, 2006; this date was subsequently extended indefinitely by Notice 106, which also required that the registrant establish that all foreign exchange transactions undertaken by the SPV and its affiliates were in compliance with applicable laws and regulations. Failure to comply with the requirements of Circular 75, as applied by SAFE in accordance with Notice 106, may result in fines and other penalties under PRC laws for evasion of applicable foreign exchange restrictions. Any such failure could also result in the SPV’s affiliates being impeded or prevented from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the SPV, or from engaging in other transfers of funds into or out of China.

We have advised our shareholders who are PRC residents, as defined in Circular 75, to register with the relevant branch of SAFE, as currently required, in connection with their equity interests in us and our acquisitions of equity interests in our PRC subsidiary and affiliate. However, we cannot provide any assurances that their existing registrations have fully complied with, and they have made all necessary amendments to their registration to fully comply with, all applicable registrations or approvals required by Circular 75. Moreover, because of uncertainty over how Circular 75 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, our present and prospective PRC subsidiary’s and affiliate’s ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 75 by our PRC resident beneficial holders. In addition, such PRC residents may not always be able to complete the necessary registration procedures required by Circular 75. We also have little control over either our present or prospective direct or indirect shareholders or the outcome of such registration procedures. A failure by our PRC resident beneficial holders or future PRC resident shareholders to comply with Circular 75, 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 our subsidiary’s and affiliate’s ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

RISKS RELATING TO THE VIE AGREEMENTS

The PRC government may determine that the VIE Agreements are not in compliance with applicable PRC laws, rules and regulations.

Baichuang Consulting provides support and consulting services to Jiangsu Xuefeng pursuant to the VIE Contractual Agreements. Almost all economic benefits and risks arising from Jiangsu Xuefeng’s operations are transferred to Baichuang Consulting under these agreements. Details of the VIE Agreements are set out in “DESCRIPTION OF BUSINESS – Contractual Arrangements with our Controlled Affiliate and its Shareholders” above.

There are risks involved with the operation of our business in reliance on the VIE Agreements, including the risk that the VIE Agreements may be determined by PRC regulators or courts to be unenforceable. Our PRC counsel has provided a legal opinion that the VIE Agreements are binding and enforceable under PRC law, but has further advised that if the VIE Agreements were for any reason determined to be in breach of any existing or future PRC

laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

- imposing economic penalties;
- discontinuing or restricting the operations of Baichuang Consulting or Jiangsu Xuefeng;
- imposing conditions or requirements in respect of the VIE Agreements with which Baichuang Consulting or Jiangsu Xuefeng may not be able to comply;
- requiring our company to restructure the relevant ownership structure or operations;
- taking other regulatory or enforcement actions that could adversely affect our company's business; and
- revoking the business licenses and/or the licenses or certificates of Jiangsu Xuefeng, and/or voiding the VIE Agreements.

Any of these actions could adversely affect our ability to manage, operate and gain the financial benefits of Jiangsu Xuefeng, which would have a material adverse impact on our business, financial condition and results of operations.

Our ability to control Jiangsu Xuefeng under the VIE Agreements may not be as effective as direct ownership.

We conduct our business in the PRC and currently generate virtually all of our revenues through the VIE Agreements. Our plans for future growth are based substantially on growing the operations of Jiangsu Xuefeng. However, the VIE Agreements may not be as effective in providing us with control over Jiangsu Xuefeng as direct ownership. The VIE Agreements do not provide us with day-to-day control over the operations of Jiangsu Xuefeng. Under the current VIE arrangements, as a legal matter, if Jiangsu Xuefeng fails to perform its obligations under these contractual arrangements, we may have to (i) incur substantial costs and resources to enforce such arrangements, and (ii) rely on legal remedies under PRC law, which we cannot be sure would be effective. Therefore, if we are unable to effectively control Jiangsu Xuefeng, it may have an adverse effect on our ability to achieve our business objectives and grow our revenues.

As the VIE Agreements are governed by PRC law, we would be required to rely on PRC law to enforce our rights and remedies under them; PRC law may not provide us with the same rights and remedies as are available in contractual disputes governed by the law of other jurisdictions.

The VIE Agreements are governed by PRC law and provide for the resolution of disputes through the jurisdiction of the courts in the PRC. If Jiangsu Xuefeng or its shareholders fail to perform the obligations under the VIE Agreements, we would be required to resort to legal remedies available under PRC law, including seeking specific performance or injunctive relief, or claiming damages. We cannot be sure that such remedies would provide us with effective means of causing Jiangsu Xuefeng or its shareholders to meet their obligations, or recovering any losses or damages as a result of non-performance. Further, the legal environment in China is not as developed as in other jurisdictions. Uncertainties in the application of various laws, rules, regulations or policies in PRC legal system could limit our liability to enforce the VIE Agreements and protect our interests.

The payment arrangement under the VIE Agreements may be challenged by the PRC tax authorities.

We generate our revenues through the payments we receive pursuant to the VIE Agreements. Currently, all of our operations reside in the VIE which is required to pay our wholly owned subsidiary, Baichuang Consulting 95% of their earnings, as defined, plus a monthly consulting fee of RMB 100,000(U.S.\$15,873). We could face adverse tax consequences if the PRC tax authorities determine that the VIE Agreements were not entered into based on arm's length negotiations. For example, PRC tax authorities may adjust our income and expenses for PRC tax purposes which could result in our being subject to higher taxes liability, or cause other adverse financial consequences.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

We conduct our operations through our controlled consolidated affiliate Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (hereinafter referred to as "Jiangsu Xuefeng"). Jiangsu Xuefeng was incorporated under the laws of the People's Republic of China ("PRC") on December 14, 2007. Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

Prior to the first service agreement in April 2012, we did not conduct any business activities except for the preparation of the business and the development of the clients, etc. When we complete the upgrading service for the client, we go through the acceptance check and commissioning of the company in accordance with the contract, to make sure that the service provided met the demand of the clients. After that, we are not subject to any additional service. The revenue we generated belongs to the service class income, with the main cost being the salaries of the staff and the leasing fees for the patent, whereas the hardware and software equipment, as well as the material used in the upgrading are responsible by the clients.

RECENT DEVELOPMENTS

The Company was organized in the state of Nevada on March 30, 2011. The Company was initially created to engage in the business of clothing distribution. Since its inception, the Company was a development stage company and has not earned any revenue.

On November 27, 2012, the Company amended its articles of incorporation to change its name from "NYC Moda Inc." to "China Xuefeng Environmental Engineering Inc" (the "Name Change") and to effect a 4-for-1 forward stock split (the "Forward Split") of its outstanding shares of common stock. Both the Name Change and the Forward Split were approved by the FINRA. The Name Change went effective on December 14, 2012 while the Forward Split went effective on December 17, 2012. Upon the effectiveness of the Forward Split, the number of outstanding shares of the Company's common stock increases from 10,300,000 to 41,200,000 shares. The number of authorized shares of common stock continues to be 75,000,000 shares.

Acquisition of Inclusion

On November 27, 2012, we completed a reverse acquisition transaction through a share exchange with Inclusion and its shareholders, or the "Inclusion Shareholders", whereby we acquired 100% of the issued and outstanding capital stock of Inclusion in exchange for our issuance of 7,895,000 shares of our common stock, which constituted 76.65% of our issued and outstanding capital stock as of and immediately after the consummation of the reverse acquisition. As a result of the reverse acquisition, Inclusion became our wholly-owned subsidiary and the former Inclusion Shareholders became our controlling stockholders. The share exchange transaction has been treated as a reverse acquisition, with Inclusion as the acquirer and the Company as the acquired party for accounting purposes. Unless the context suggests otherwise, when we refer in this report to business and financial information for periods prior to the consummation of the reverse acquisition, we are referring to the business and financial information of Inclusion and its consolidated subsidiaries.

As a result of our acquisition of Inclusion, we now own all of the issued and outstanding capital stock of Lotus, which in turn owns all of the issued and outstanding capital stock Baichuang Consulting. In addition, we effectively and substantially control Jiangsu Xuefeng through a series of captive agreements with Baichuang Consulting.

Subsequent to the closing of the Exchange Agreement, we conduct our operations through our controlled consolidated affiliate Jiangsu Xuefeng. Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment.

The Company is located in C214, Fitting Integration Building, Fazhan Road to Suqian Gate Section.

Contractual Arrangements with our Controlled Consolidated Affiliate and its Shareholders

On October 17, 2012, prior to the reverse acquisition transaction, Baichuang Consulting and Jiangsu Xuefeng and its shareholders Li YUAN and Yi YUAN entered into a series of agreements known as variable interest agreements (the “VIE Agreements”) pursuant to which Jiangsu Xuefeng became Baichuang Consulting’s contractually controlled affiliate. The use of VIE agreements is a common structure used to acquire PRC corporations, particularly in certain industries in which foreign investment is restricted or forbidden by the PRC government. The VIE Agreements included:

- (1) an Exclusive Technical Service and Business Consulting Agreement between Baichuang Consulting and Jiangsu Xuefeng pursuant to which Baichuang Consulting is to provide technical support and consulting services to Jiangsu Xuefeng in exchange for (i) 95% the total annual net profit of Jiangsu Xuefeng and (ii) RMB100,000 per month (U.S.\$15,873).
- (2) a Call Option Agreement among Li YUAN and Yi YUAN (together referred to as “Jiangsu Xuefeng Shareholders”), and Baichuang Consulting under which the Jiangsu Xuefeng Shareholders have granted to Baichuang Consulting the irrevocable right and option to acquire all of the equity interests in Jiangsu Xuefeng to the extent permitted by PRC law. If PRC law limits the percentage of Jiangsu Xuefeng that Baichuang Consulting may purchase at any time, then Baichuang Consulting may repeatedly exercise its option in such increments as may be allowed by PRC law. The exercise price of the option is RMB1.00 (\$0.16) or any lower price permitted by PRC law. The Jiangsu Xuefeng Shareholders agreed to refrain from taking certain actions which might harm the value of Jiangsu Xuefeng or Baichuang Consulting’s option;
- (3) a Proxy Agreement by Li YUAN and Yi YUAN pursuant to which they each authorize Baichuang Consulting to designate someone to exercise all of his shareholder decision rights with respect to Jiangsu Xuefeng; and
- (4) a Share Pledge Agreement among Li YUAN and Yi YUAN, Jiangsu Xuefeng, and Baichuang Consulting under which the Jiangsu Xuefeng Shareholders agree to pledge all of their equity in Jiangsu Xuefeng to Baichuang Consulting to guarantee Jiangsu Xuefeng’s and its shareholders’ performance of their obligations under the Exclusive Technical Service and Business Consulting Agreement, the Call Option Agreement and the Proxy Agreement. The VIE entity, Jiangsu Xuefeng, has received approval of equity pledge by Jiangsu Xuefeng Shareholders to Baichuang Consulting issued by Shenzhen Market Supervision and Management Authority on September 26, 2012 .

The VIE Agreements with our Chinese affiliate and its shareholders, which relate to critical aspects of our operations, may not be as effective in providing operational control as direct ownership. In addition, these arrangements may be difficult and costly to enforce under PRC law. See “Risk Factors - Risks Relating to the VIE Agreements.”

Results of our operations

Comparison of Three Months Ended August 31, 2012 and 2011

The following table sets forth in U.S. dollars key components of our unaudited results of operations during the three-month periods ended August 31, 2012 and 2011, and the percentage change between 2012 and 2011.

	2012	2011	Percentage
	(U.S. \$)	(U.S. \$)	Change
Revenue	\$ 632,000	-	100%
Cost of revenue	(85,357)	-	100%
Gross profit	546,643	-	100%
Selling expenses	4,598	-	100%
General and administrative expenses	101,323	13,201	668%
Total operating expenses	105,921	13,201	702%
Operating income (loss)	440,722	(13,201)	3439%
Interest income	1,495	1,535	(3%)
Income (loss) before provision for income taxes	442,217	(11,666)	3891%
Provision for (benefit from) income taxes	110,554	(2,917)	3890%
Net income (loss)	331,663	(8,749)	3891%
Foreign currency translation adjustment	(824)	76,971	(101%)
Total comprehensive income	\$ 330,839	68,222	385%

Revenue. For the three months ended August 31, 2012, sales relate solely to improvement and upgrading services provided to garbage recycling processing systems of two unrelated third parties in accordance with contracts. The services were completed and accepted by the customers and the payment was received in full as of August 31, 2012. For the three months ended August 31, 2011, there was no revenue generated.

Cost of Revenues. Our cost of revenues was increased to \$85,357 for the three months ended August 31, 2012 from \$0 for the three months ended August 31, 2011. The increase in cost of revenues is attributable to the increase in revenues. Our costs of revenues primarily consist of employees' salaries, insurances, training expenses and other daily operating expenses. In addition, business tax was classified as cost of sales as well.

Gross Profit. Our gross profit was increased to \$546,643 for the three months ended August 31, 2012, which represented a gross profit ratio at 86%. There was no gross profit for the three months ended August 31, 2011.

Selling and Marketing Expenses. Our selling and marketing expenses increased to \$4,598 in the three months ended August 31, 2012 from \$0 in the three months ended August 31, 2011. Our selling and marketing expenses were primarily comprised of salaries and insurance. For the three months ended August 31, 2011, there was no any sales employee.

General and Administrative Expenses. Our general and administrative (“G&A”) expenses increased to \$101,323 in the three months ended August 31, 2012 from \$13,021 in the three months ended August 31, 2011, representing a 668% increase. Our G&A expenses were primarily comprised of G&A employees’ salaries, insurance, rent and professional service fees incurred for G&A functions. As we prepare to be traded over the counter in the United States, expenses incurred for attorneys, auditors and financial advisors were increased as well.

Provision for Income Taxes. Our provision for income taxes increased to \$110,554 in the three months ended August 31, 2012 from a tax benefit of \$2,917 in the three months ended August 31, 2011. Our effective tax rate was the same as the statutory rate of 25% for the three months ended August 31, 2012 and 2011. Our tax filings for the year ended December 31, 2011 were examined by the tax authorities in April 2012. The tax filings were accepted and no adjustments were proposed by the tax authorities. The increase in the provision for income taxes was mainly due to the increase in our revenue which caused the improvement of our business performance.

Net Income. Our net income attributable to common stockholders increased to \$331,663 in the three months ended August 31, 2012 from a loss of \$8,749 in the three months ended August 31, 2011, representing a 3,891% increase. This increase was mainly due to the increase in our revenue.

Foreign Currency Translation Adjustment. Our reporting currency is the U.S. dollar. Our local currency, Renminbi (RMB), is our functional currency. Results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People’s Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statement of shareholders’ equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. For the three months ended August 31, 2012 and 2011, a foreign currency loss \$824 and gain \$76,971, respectively, have been reported as other comprehensive income (loss) in the consolidated statements of income and other comprehensive income.

Liquidity and Capital Resources

As of August 31, 2012, we had cash and cash equivalents of \$4,536,525, primarily consisting of cash on hand and demand deposits. Such significant cash balance was mainly derived from Jiangsu Xuefeng’s capital contributions received of approximately \$4.5 million (RMB 30 million) since January 2011. Despite our large cash balances, the interest income generated for the period presented are nominal for mainly two reasons: the bank’s current deposit interest is very low, the annual interest float up or down at 0.35%; The interest income reported on the statement is the net interest which was deducted bank services charges, legal person overdraft fee. As the amount involved is nominal, there is no separate disclosure.

To date, we have financed our operations primarily through cash flows from operations and equity contributions by our shareholders.

Operating activities

Net cash provided by operating activities was \$385,569 for the three months ended August 31, 2012, as compared to used for \$9,702 for the three months ended August 31, 2011. The change is mainly due to the revenue collection in 2012.

Investing activities

Net cash used in investing activities was \$4,060 for the three months ended August 31, 2012, as compared to net cash used of \$1,528 for the three months ended August 31, 2011. The net cash used was for equipment purchases.

Financing activities

Net cash provided by financing activities was a stockholder loan of \$35,000 to pay the professional fees for the three months ended August 31, 2012. There was no net cash provided by financing activities for the three months ended August 31, 2011.

Comparison of Twelve Months Ended May 31, 2012 and 2011

The following table sets forth in U.S. dollars key components of our audited results of operations during the twelve -month periods ended May 31, 2012 and 2011, and the percentage change between 2012 and 2011.

	2012 (U.S. \$)	2011 (U.S. \$)	Percentage Change
Revenue	\$ 314,248	-	100%
Cost of revenue	(21,495)	-	100%
Gross profit	292,753	-	100%
Selling expenses	10,904	-	100%
General and administrative expenses	195,848	50,234	290%
Total operating expenses	206,752	50,234	312%
Operating income (loss)	86,001	(50,234)	271%
Interest income	6,018	4,670	29%
Income (loss) before provision for income taxes	92,019	(45,564)	302%
Provision for (benefit from) income taxes	25,162	(9,649)	361%
Net income (loss)	66,857	(35,915)	286%
Foreign currency translation adjustment	107,918	87,613	23%
Total comprehensive income	\$ 174,775	51,698	238%

Revenues. For the twelve months ended May 31, 2012, sales relate solely to improvement and upgrading services provided to garbage recycling processing systems of one unrelated third party in accordance with contracts. The services were completed and accepted by the customers and the payment was received in full as of May 31, 2012. For the twelve months ended May 31, 2011, there was no any revenue generated.

Cost of Revenues. Our cost of revenue was increased to \$21,495 for the twelve months ended May 31, 2012 from \$0 for the twelve months ended May 31, 2011. The increase in cost of revenues is attributable to the increase in revenues. Our costs of revenues primarily consist of employees' salaries, insurances, training expenses and other daily operating expenses. In addition, business tax was classified as cost of sales as well.

Gross Profit. Our gross profit was increased to \$292,753 for the twelve months ended May 31, 2012, from \$0 for the twelve months ended May 31, 2011.

Selling and Marketing Expenses. Our selling and marketing expenses increased to \$10,904 for the twelve months ended May 31, 2012 from \$0 for the twelve months ended May 31, 2011. Our selling and marketing expenses were primarily comprised of salaries and insurance. For the twelve months ended May 31, 2011, there was no any sales employee.

General and Administrative Expenses. Our general and administrative ("G&A") expenses increased to \$195,848 in the twelve months ended May 31, 2012 from \$50,234 in the twelve months ended May 31, 2011, representing a 290% increase. Our G&A expenses were primarily comprised of G&A employees' salaries, insurance, rent and professional service fees incurred for G&A functions. As we prepare to be traded over the counter in the United States, expenses incurred for attorneys, auditors and financial advisors were increased as well.

Provision for Income Taxes. Our provision for income taxes increased to \$25,162 in the twelve months ended May 31, 2012 from a tax benefit of \$9,649 in the twelve months ended May 31, 2011, representing a 361% increase. Our effective tax rate was the same as the statutory rate of 25% for the twelve months ended May 31, 2012 and 2011. Our tax filings for the year ended May 31, 2011 were examined by the tax authorities in April 2012. The tax filings were accepted and no adjustments were proposed by the tax authorities. The increase in the provision for income taxes was mainly due to the increase in our sales which caused the improvement of our business performance.

Net Income. Our net income attributable to common stockholders increased to \$66,857 for the twelve months ended May 31, 2012 from a loss of \$35,915 for the twelve months ended May 31, 2011, representing a 286% increase. This increase was mainly due to the increase in our revenues.

Foreign Currency Translation Adjustment. Our reporting currency is the U.S. dollar. Our local currency, Renminbi (RMB), is our functional currency. Results of operations and cash flow are translated at average exchange rates during the period, and assets and liabilities are translated at the unified exchange rate as quoted by the People's Bank of China at the end of the period. Translation adjustments resulting from this process are included in accumulated other comprehensive income in the statement of shareholders' equity. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. For the twelve months ended May 31, 2012 and 2011, foreign currency translation adjustments of \$107,918 and \$87,613 have been reported as other comprehensive income in the consolidated statements of income and other comprehensive income.

Liquidity and Capital Resources

As of May 31, 2012, we had cash and cash equivalents of \$4,120,811, primarily consisting of cash on hand and demand deposits. Such significant cash balance was mainly derived from Jiangsu Xuefeng's capital contributions received of approximately \$4.5 million (RMB 30 million) since January 2011. Despite our large cash balances, the interest income generated for the period presented are nominal for mainly two reasons: the bank's current deposit interest is very low, the annual interest float up or down at 0.35%; The interest income reported on the statement is the net interest which was deducted bank services charges, legal person overdraft fee. As the amount involved is nominal, there is no separate disclosure.

To date, we have financed our operations primarily through cash flows from operations and equity contributions by our shareholders.

Operating activities

Net cash provided by operating activities was \$178,731 for the twelve months ended May 31, 2012, as compared to net cash used for \$50,915 for the twelve months ended May 31, 2011. The changes are mainly due to the revenue collection of accounts receivable, increase in deferred income tax liabilities and accrued liabilities in 2012.

Investing activities

Net cash used in investing activities was \$797,108 for the twelve months ended May 31, 2012, as compared to net cash used of \$21,693 for the twelve months ended May 31, 2011. For the twelve months ended May 31, 2012, the net cash used in investing activities mainly consist of prepayment for acquisition of land use right of \$785,620 and fixed assets of \$30,657. For the twelve months ended May 31, 2011, the net cash used in investing activities mainly consist of a loan to related party of \$75,119 and the repayment of this loan of \$56,311. This loan was fully repaid by the end of May 31, 2012.

Financing activities

For the twelve months ended May 31, 2011, the net cash provided by financing activities consists of \$4,541,532 of capital contributions by the shareholders.

We believe that our cash on hand and cash flow from operations will meet our present cash needs for the next 12 months. We may, however, in the future, require additional cash resources due to changed business conditions, implementation of our strategy to ramp up our marketing efforts and increase brand awareness, or acquisitions we may decide to pursue. If our own financial resources are insufficient to satisfy our capital requirements, we currently may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution to our stockholders. New indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that could restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition or results of operations.

Transfer of Cash

All of our revenues are earned by Jiangsu Xuefeng, our PRC controlled consolidated affiliate and subsidiary. PRC regulations restrict the ability to make dividends and other payments to its offshore parent company. PRC legal restrictions permit payments of dividends only out of its accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of its annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amount of said fund reaches 50% of its registered capital. Allocations to this statutory reserve fund can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Any limitations on the ability of our PRC subsidiary to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

Lotus International Holdings Limited, a Hong Kong corporation and Baichuang Information Consulting (Shenzhen) Co., Ltd, a WFOE, is a bridge to transfer funds inside and outside the PRC. There are three ways for foreign cash to be transferred into Chinese subsidiaries:

- (1). Capital funds: At the establishment of the WFOE, (Baichuang Consulting), in accordance with the provisions of PRC Foreign-Owned Enterprise Law, funds were injected as capital by Lotus International into its wholly foreign owned enterprise established in mainland China, Baichuang Consulting.
- (2). Raised capital - acquisition: if the Company raised sufficient capital, it could transfer the capital to Jiangsu Xuefeng by causing Lotus International (HK company) to apply to the Chinese Ministry of Commerce (MOFCOM) for approval of an acquisition of Jiangsu Xuefeng by Lotus International. MOFCOM would approve such an acquisition only after a lengthy review process, and only if it determined that the price paid by Lotus International for Jiangsu Xuefeng represented a commercially fair price.

(3). Raised capital - joint venture: If the Company obtained capital that was less than the purchase price for Jiangsu Xuefeng deemed acceptable by MOFCOM, Lotus International could still inject the funds into Jiangsu Xuefeng by complying with the provisions of the PRC Sino-Foreign Equity Joint Venture Law. To accomplish this capital transfer, we would be required to apply to the Chinese government for approval to convert Jiangsu Xuefeng into an equity joint venture, in which Lotus International (HK company) would be its equity joint venturer. If approved, Lotus International would then own a portion of the equity in Jiangsu Xuefeng, and the VIE agreements between Jiangsu Xuefeng and Baichuang Consulting (WFOE) would be modified accordingly to reduce the portion of net income payable by Jiangsu Xuefeng to Baichuang Consulting.

We have no current plans for the Company to fund Jiangsu Xuefeng, and expect the VIE structure to remain in place for the foreseeable future.

Pursuant to the Exclusive Technical Service and Business Consulting Agreement between Baichuang Consulting (WFOE) and Jiangsu Xuefeng, Baichuang Consulting is to provide technical support and consulting services to Jiangsu Xuefeng in exchange for (i) 95% the total annual net profit of Jiangsu Xuefeng and (ii) RMB100,000 per month (\$15,870). As a result, there are also two ways to transfer the funds from inside the PRC to outside the PRC:

(1). According to the provisions of the Service Fee in Article 3 of the Exclusive Technology Service and Business Consulting Agreement, 95% of the net income of Jiangsu Xuefeng will be paid to Baichuang Consulting as a service fee, and in turn Baichuang Consulting will in compliance with the provisions of PRC Foreign-Owned Enterprise Law transfer this income to Lotus International (HK company) for the purpose of profit distribution.

(2). According to the provisions of the Service Fee in Article 3 of the Exclusive Technology Service and Business Consulting Agreement, a management fee of \$15,870 will be paid to Baichuang Consulting each month, and in turn Baichuang Consulting will be in compliance with the provisions of the PRC Foreign-Owned Enterprise Law and transfer this income to Lotus International (HK company) for the purpose of profit distribution.

The earnings and cash transfer procedures are all designed to comply with PRC regulations. As a result, there will be no government regulations which will impact our transactions to transfer cash within our corporate structure. However, when the funds are transferred to outside the PRC, all transferred amounts will be reported to the national tax bureau to examine whether the local and national taxes have been fully paid by Jiangsu Xuefeng and Baichuang Consulting.

Recent Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-11, “*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*” (“ASU 2011-11”). The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company does not expect that the adoption of ASU 2011-11 will have a significant, if any, impact on the Company’s financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, “*Testing Goodwill for Impairment*” (“ASU No. 2011-08”), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-08 did not have a material impact on the Company’s financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "*Presentation of Comprehensive Income*" ("ASU No. 2011-05"), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, "*Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income*" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented.

The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-08 did not have a material impact on the Company's financial statements.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*" ("ASU No. 2011-04"), which amends current guidance to result in common fair value measurements and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs (Level 3 inputs, as defined in Note 2). The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-04 did not have a material impact on the Company's financial statements.

Jumpstart Our Business Startups Act of 2012

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company," we may, under Section 7(a)(2)(B) of the Securities Act, delay adoption of new or revised accounting standards applicable to public companies until such standards would otherwise apply to private companies. We may take advantage of this extended transition period until the first to occur of the date that we (i) are no longer an "emerging growth company" or (ii) affirmatively and irrevocably opt out of this extended transition period. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards. Until the date that we are no longer an "emerging growth company" or affirmatively and irrevocably opt out of the exemption provided by Securities Act Section 7(a)(2)(B), upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which adoption is required for non-emerging growth companies and the date on which we will adopt the recently issued accounting standard.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of November 27, 2012, after giving effect to the Inclusion Acquisition, information with respect to the securities holdings of (i) our officers and directors, and (ii) all persons which, pursuant to filings with the SEC and our stock transfer records, we have reason to believe may be deemed the beneficial owner of more than five percent (5%) of the Common Stock. The securities "beneficially owned" by an individual are determined in accordance with the definition of "beneficial ownership" set forth in the regulations promulgated under the Exchange Act and, accordingly, may include securities owned by or for, among others, the spouse and/or minor children of an individual and any other relative who resides in the same home as such individual, as well as other securities as to which the individual has or shares voting or investment power or which each person has the right to acquire within 60 days through the exercise of options or otherwise. Beneficial ownership may be disclaimed as to certain of the securities. This table has been prepared based on 10,300,000 shares of Common Stock outstanding as of November 30, 2012. Unless otherwise specified, the address of each of the persons set forth below is in care of the Company, C214, Fitting Integration Building, Fazhan Road to Suqian Gate Section.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Officers and Directors		
Li YUAN	789,500	7.67%
Yi YUAN	631,600	6.13%
Xiaojun ZHUANG	-	-
Kuanfu FAN	-	-
All directors and executive officers as a group (4 persons)	<u>1,421,100</u>	<u>13.8%</u>
5% Shareholders		
None.		

- (1) Under Rule 13d-3 of the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights.
- (2) Based on 10,300,000 shares of Common Stock issued and outstanding as of November 27, 2012

Changes in Control

The disclosure set forth in Item 5.01 of this Current Report on Form 8-K is incorporated herein by reference.

MANAGEMENT

Directors and Executive Officers

Prior to the date of the Exchange Agreement, our Board of Directors consisted of one director, Zhenxing Liu. Mr. Liu has submitted a letter of resignation and each of Li YUAN (Chairman), Yi YUAN and Xiaojun ZHUANG has been appointed to our Board of Directors. The appointment of Li YUAN (Chairman), Yi YUAN and Xiaojun ZHUANG and the resignation of Zhenxing LIU are effective on the date of the Exchange Agreement. In addition, effective on the date of the Exchange Agreement, Zhenxing LIU resigned from each of his officer positions with the Company and we appointed Li YUAN as our Chief Executive Officer, and appointed Kuanfu FAN as our Chief Financial Officer, Secretary and Treasurer.

The following table sets forth the name, age, and position of such officers. Executive officers are elected annually by our Board of Directors. Each executive officer holds his office until he resigns, is removed by the Board, or his successor is elected and qualified. Mr. Li YUAN, the Chairman of the Board and Chief Executive Officer, and Mr. Yi YUAN, our director, are brothers.

Name	Age	Position(s)
Li YUAN	38	Chairman of the Board and Chief Executive Officer
Yi YUAN	48	Director
Xiaojun ZHUANG	40	Director
Kuanfu FAN	38	Chief Financial Officer, Secretary and Treasurer

Mr. Li YUAN, 38, has served as our Chairman of the board of directors and Chief Executive Officer since November 2012, founded Jiangsu Xuefeng in December 2007 and served as Chairman and Chief Executive Officer of Jiangsu Xuefeng since then. From February 1997 to October 2003, Mr. Yuan served as the Department Manager of First Hostel in Suqian City. From October 2003 to 2007, Mr. Yuan devoted himself to the research & development and experiments of environmental protection equipment. Mr. Yuan acquired Bachelor degree in International Relations Major from International Relations Faculty of Chinese People's Liberation Army. Mr. Yuan was selected as a director because of his extensive management experience, his background in the industry and his knowledge of the business of the Company.

Mr. Yi YUAN, 48, has served as our director from November 2012. From December 2007 until present, he founded Jiangsu Xuefeng and served as the chief engineer. From February 2001 to 2007, Mr. Yuan devoted himself to the R&D and experiments of environmental protection equipment. From August 1991 to February 2001, he served as a department manager at Suqian Urban Comprehensive Development Co, Ltd. From September 1990 to July 1991, he worked as a mechanic engineer at Suqian Garment Factory. From 1987 to August 1990, he acted as a machine maintenance class monitor at Suqian Furniture Factory. Mr. Yuan graduated with a senior high school degree and acquired abundant professional skills from years of working experience. Mr. Yuan was selected as a director because of his extensive management experience, his background in the industry and his knowledge of the business of the Company.

Mr. Xiaojun Zhuang, 40, has served as our director from November 2012 and is currently served as a director of Jiangsu Xuefeng. From 2002 to 2010, Mr. Zhuang founded Ocean S&T Development Co, Ltd, a company focusing on the R&D, manufacture and sale of environmental friendly coating and building materials, and served as the corporate juridical person. From November 1997 to March 2002, he worked at the government of Sucheng District in Suqian City. From August 1993 to October 1997, he worked at the government of Jingtou town in Suyu District. Mr. Zhuang graduated with a bachelor degree from business administration. Mr. Zhuang was selected as a director because of his extensive management experience, his background in the industry and his knowledge of the business of the Company.

Mr. Kuanfu Fan, 38, served as our Chief Financial Officer, Secretary and Treasurer from November 2012. From 2011 to 2012, Mr. Fan served as a regional vice manager & Chief Financial Officer of Shanghai United Water Group Co., Ltd. From July 2008 to October 2011, he served as a regional Chief Financial Officer of Yihai Jiali Group. From July 2005 to July 2008, he served as a Chief Financial Officer and a special assistant to the chairman of the board of Zhejiang telecom Co., Ltd. From September 2001 to July 2005, he served as a financial manager, an administrative office manager and a special assistant to the chairman of the board of Kunshan Shangxin Electronic Science and Technology Co., Ltd. From July 1998 to September 2001, he served as an accountant of Jiangsu Suining Supply and Marketing Cooperatives Head Office. Mr. Fan graduated from Nanjing Southeast University with a master degree in business administration.

Family Relationships

Li YUAN and Yi YUAN are brothers. There are no other family relationships among any of our officers or directors.

Corporate Governance

Board Committees

Our organizational documents authorize a board of not less than one member. Prior to the consummation of the Exchange Agreement we had one director. Our board of directors does not have a lead independent director. Our board of directors has determined that its leadership structure was appropriate and effective for Jiangsu Xuefeng given its stage of operations. In connection with the Exchange Agreement, we established a board of directors with three members. We will re-evaluate our leadership structure once we have added additional members to our board of directors.

We presently do not have an audit committee, compensation committee or nominating committee or committee performing similar functions, as our management believes that until this point it has been premature at the early stage of our management and business development to form an audit, compensation or nominating committee. Until these committees are established, these decisions will continue to be made by our Board of Directors. Although our Board of Directors has not established any minimum qualifications for director candidates, when considering potential director candidates, our Board of Directors considers the candidate's character, judgment, skills and experience in the context of the needs of our Company and our Board of Directors.

Director Independence

We currently do not have any independent directors, as the term "independent" is defined by the rules of the Nasdaq Stock Market.

Involvement in Certain Legal Proceedings

Over the past ten years, none of our directors or executive officers has been (i) involved in any petition under Federal bankruptcy laws or any state insolvency law, convicted, (ii) convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses), (iii) subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from (a) acting as a future's commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity, (b) engaging in any type of business practice, or (c) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws, or (d) subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right to engage in any activity described in (iii)(a), (iv) found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated, (v) found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated. (vi) subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of (a) any Federal or State securities or commodities law or regulation, (b) any law or regulation respecting financial institutions or insurance companies, or (c) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity, or (vii) the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member. Except as set forth in our discussion below in "Transactions with Related Persons; Promoters and Certain Control Persons; Director Independence," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth in U.S. dollars information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered to Jiangsu Xuefeng in all capacities during the noted periods. No other executive officer received total annual salary and bonus compensation in excess of \$100,000. All the officers were paid by Jiangsu Xuefeng in RMB and the amounts reported in this table have been converted from Renminbi to U.S. dollars based on the May 31, 2012 conversation rate of RMB 6.33 to \$1.00.

Name and Principal Position	Year	Salary	All Other	Total
		(\$)	Compensation (\$)	(\$)
Li YUAN, Chief Executive Officer and Chairman	2012(1)	\$ 9,126	\$ 0	\$ 9,126
	2011(1)	\$ 3,809	\$ 0	\$ 3,809
Yi YUAN, Director	2012(2)	\$ 3,809	\$ 0	\$ 3,809
	2011(2)	\$ 0	\$ 0	\$ 0
Xiaojun ZHUANG, Director	2012(3)	\$ 714	\$ 0	\$ 714
	2011(3)	\$ 0	\$ 0	\$ 0
Ilona Svinta	2012(4)	\$ 0	\$ 0	\$ 0
	2011(4)	\$ 0	\$ 0	\$ 0

(1) Represents compensation paid by Jiangsu Xuefeng for the years ended May 31, 2012 and 2011.

- (2) Represents compensation paid by Jiangsu Xuefeng for the years ended May 31, 2012 and 2011. Mr. Yuan has served as director of Jiangsu Xuefeng since October 2011.
- (3) Represents compensation paid by Jiangsu Xuefeng for the years ended May 31, 2012 and 2011. Mr. Yuan has served as director of Jiangsu Xuefeng since April 2012.

Employment Agreements

The Company does not have any employment agreements with any of its directors or executive officers. Jiangsu Xuefeng, our operating affiliate, has employment agreements with our Chief Financial Officer, Kuanfu FAN.

Prior to our reverse acquisition of Inclusion, Jiangsu Xuefeng, our operating affiliate was a private limited liability company organized under the laws of the PRC, and in accordance with PRC regulations, the salary of our executives was determined by our shareholders. In addition, each employee is required to enter into an employment agreement. Accordingly, all our employees, including management, have executed our employment agreements. Our employment agreements with our executives provide the amount of each executive officer's salary and establish their eligibility to receive a bonus.

Kuanfu FAN's employment agreement provides for a monthly salary of RMB 4,500 (approximately \$711). The term of the employment contract is three years from October 5, 2012 to 2015. Mr. FAN is eligible for a bonus which is determined by, and at the discretion of, the board of directors of Jiangsu Xuefeng, based on a review of Mr. FAN's performance.

Other than the salary and necessary social benefits required by the government, which are defined in the employment agreements, we currently do not provide other benefits to the officers at this time. Other than government severance payments, our executive officers are not entitled to severance payments upon the termination of their employment agreements or following a change in control

PRC employment law requires an employee be paid severance pay based on the number of years worked with the employer at the rate of one month's wage for each full year worked. Any period of more than six months but less than one year shall be counted as one year. The severance pay payable to an employee for any period of less than six months shall be one-half of his monthly wages. The monthly salary mentioned above is defined as the average salary of 12 months before revocation or termination of the employment contract.

We have not provided retirement benefits (other than a state pension scheme in which all of our employees in China participate) or severance or change of control benefits to our named executive officers.

Grants of Plan-Based Awards

During the year ended May 31, 2012 and 2011, there were no grants of plan-based awards to our named executive officers.

Option Exercises and Stock Vested

During the year ended May 31, 2012 and 2011, there were no option exercises or vesting of stock awards to our named executive officers.

Outstanding Equity Awards at Fiscal Year End

None of our executive officers received any equity awards, including, options, restricted stock or other equity incentives during the fiscal year ended May 31, 2012 and 2011. There are currently no outstanding awards at May 31, 2012.

Compensation of Directors

We do not pay our directors any fees or other compensation for acting as directors. We have not paid any fees or other compensation to any of our directors for acting as directors to date.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Transactions with Related Persons

The following includes a summary of transactions since the beginning of the 2010 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation").

On August 5, 2012, Jiangsu Xuefeng entered into an agreement to lease a patent on garbage recycling processing technology from Li Yuan, one of the Company's shareholders. Under the current lease terms, Jiangsu Xuefeng is required to pay a fee of \$12,600 (RMB 80,000) each month for five years. (See Note 9)

Jiangsu Xuefeng obtained a demand loan from the above stockholder which is non-interest bearing. The loan of \$34,999 representing the professional fees paid by the above stockholder, as of August 31, 2012, is reflected as stockholder loans in the balance sheets.

Jiangsu Xuefeng extended a 20-month non-interest bearing loan on September 12, 2010 to Li Yuan, the controlling shareholder and Chairman of the Company in the amount of \$75,119. The Company received payment of \$56,311 in January 2011 and the remaining balance of \$18,808 was paid off in May 2012.

Review, approval or ratification of transactions with related persons

We do not have any other special committee, policy or procedures related to the review, approval or ratification of related party transactions.

Promoters and Control Persons

We did not have any promoters at any time during the past five fiscal years.

LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

MARKET PRICE AND DIVIDENDS ON OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our securities are currently eligible for trading on the OTCBB under the symbol "NYCM." There is presently no public market for our common stock. We can provide no assurance that a public market will materialize or if a public market develops, that it will be maintained.

Holders

As of November 30, 2012, there were approximately 56 stockholders of record of our common stock.

Dividends

Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our stockholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

PRC regulations restrict the ability of our PRC subsidiary to make dividends and other payments to its offshore parent company. PRC legal restrictions permit payments of dividends by our PRC subsidiary only out of its accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Our PRC subsidiary is also required under PRC laws and regulations to allocate at least 10% of our annual after-tax profits determined in accordance with PRC GAAP to a statutory general reserve fund until the amounts in said fund reaches 50% of our registered capital. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Please refer to the section "Risk Factors — Risks Related to Doing Business In China.

Furthermore, our present 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 Circular 75 by our PRC resident beneficial holders. A failure by our PRC resident beneficial holders or future PRC resident stockholders to comply with Circular 75, if SAFE requires it, could limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects. "Risk Factors — Risks Related to Doing Business In China.

Equity Compensation Plans

We do not have in effect any compensation plans under which our equity securities are authorized for issuance and we do not have any outstanding stock options.

RECENT SALES OF UNREGISTERED SECURITIES

On November 27, 2012, we issued a total of 7,895,000 shares of common stock to the former Inclusion Shareholders named below in exchange for all the capital stock the former Inclusion Shareholders held in Inclusion in connection with the Inclusion Acquisition:

Name	Number of Shares
Yuan Li	789,500
Yuan Yi	631,600
Chen Bangmin	386,855
Liu Changyong	386,855
Chen Meiling	386,855
Liu Zibo	386,855
Song Wei	386,855
Shan Xinyan	378,960
Wei Yongzhu	371,065
Wu Houquan	371,065
Wu Xiaoqing	371,065
Yuan Jinli	363,170
Li Li	363,170
Li Chun	355,275
Zhou Baosheng	355,275
Shi Heng	347,380
Zhang Qiaoyan	323,695
Liu Wei	315,800
Liu Yang	315,800
Song Guangjing	307,905
Total	7,895,000

These shares were issued in an “off-shore” transaction exempt from the registration requirements of the Securities Act under Rule 903 of Regulation S of the Securities Act. None of the former Inclusion Shareholders is a “US Person” (as defined in Rule 902 of Regulation S), the Company did not employ any “directed selling efforts” in connection with the acquisition, and each of the certificates representing the shares issued to the former Inclusion Shareholders was endorsed with restrictive legends consistent with the exemption provided by Regulation S.

DESCRIPTION OF SECURITIES

Our authorized capital stock consists of 75,000,000 shares of \$0.001 par value common stock.

Common Stock

We are authorized to issue up to 75,000,000 shares of common stock, par value \$0.001 per share. Each share of common stock entitles a stockholder to one vote on all matters upon which stockholders are permitted to vote. Common stock does not confer on the holder any preemptive right or other similar rights to purchase or subscribe for any additional securities issued by us, is not convertible into other securities. No shares of common stock are subject to redemption or any sinking fund provisions. All the outstanding shares of our common stock are fully paid and non-assessable. The holders of shares of our common stock are entitled to dividends out of funds legally available when and as declared by our board of directors. Our board of directors has never declared a dividend and does not anticipate declaring a dividend in the foreseeable future.

Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiary and other holdings and investments. In addition, our operating subsidiary in the PRC, from time to time, may be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions. In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to receive, ratably, the net assets available to stockholders after payment of all creditors and any liquidation preference on outstanding preferred stock.

Transfer Agent and Registrar

Our independent stock transfer agent is Island Stock Transfer, located at 15500 Roosevelt Blvd, Suite 301, Clearwater, FL, 33760. The transfer agent's website is located at www.islandstocktransfer.com.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company is incorporated under the laws of the State of Nevada. Section 78.7502 of the Nevada Revised Statutes provides that a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

Section 78.7502 further provides a Nevada corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of

competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Section 78.751 of the Nevada Revised Statutes provides that discretionary indemnification under Section 78.7502 unless ordered by a court or advanced pursuant to subsection 2 of section 78.751, may be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made by:

- By the stockholders;
- By the board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding;
- If a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or
- If a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

The Articles of Incorporation, the Bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

The indemnification and advancement of expenses authorized in or ordered by a court pursuant to NRS Section 78.751:

- does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to section 78.7502 or for the advancement of expenses made pursuant to subsection 2 of section 78.751, may not be made to or on behalf of any director or officer if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; and
- continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

Insofar as indemnification by us for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling the company pursuant to provisions of our articles of incorporation and bylaws, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification by such director, officer or controlling person of us in the successful defense of any action, suit or proceeding is asserted by such director, officer or controlling person in connection with the securities being offered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

At the present time, there is no pending litigation or proceeding involving a director, officer, employee or other agent of ours in which indemnification would be required or permitted. We are not aware of any threatened litigation or proceeding, which may result in a claim for such indemnification.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired filed herewith are the following:

1. Audited financial statements of Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. for the fiscal year ended May 31, 2012 and 2011.
2. Unaudited condensed financial statements of Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. for the three months ended August 31, 2012 and 2011.

(b) Pro Forma Financial Information

Filed herewith is the unaudited pro forma condensed consolidated financial information of the Company and its subsidiaries for the year ended May 31, 2012, and as of and for the three months ended August 31, 2012.

(d) Exhibits

Exhibit No.	Description
2.1	Share Exchange Agreement, dated as of November 27, 2012, by and among NYC Moda Inc., Inclusion Business Limited (BVI), the shareholders of Inclusion Business Limited (BVI), and Zhenxing LIU. (3)
3.1	Articles of Incorporation of the Company (1)
3.2	Certificate of Amendment to the Articles of Incorporation of the Company. (3)
3.3	Bylaws of the Company.(2)
5.1	Legal Opinion of Jilin Changchun Law Firm *
10.1	Exclusive Technical Service and Business Consulting Agreement dated October 17, 2012 by and between Jiangsu Xuefeng and Baichuang Consulting (3)
10.2	Call Option Agreement dated October 17, 2012 by and among Baichuang Consulting, Li YUAN and Yi YUAN. (3)
10.3	Proxy Agreement dated October 17, 2012 by and among Baichuang Consulting, Jiangsu Xuefeng, Li YUAN and Yi YUAN. (3)
10.4	Share Pledge Agreement dated October 17, 2012 by and among Baichuang Consulting, Jiangsu Xuefeng, Li YUAN and Yi YUAN. (3)
10.5	Investment Contract of Industry Project in Suqian Economic Development Zone between Jiangsu Xuefeng and Suqian Economic Development Head Office on March 23, 2012. (3)
10.6	Technology Service Contract between Jiangsu Xuefeng and Yangzhou Maoshan Diversified Garbage Processing Plant dated April 4, 2012. (3)
10.7	Technical Service Contract between Jiangsu Xuefeng and Xuzhou Zhongze Oasis Garbage Processing Co., Ltd on June 2, 2012. (3)
10.8	Equipment Upgrading and Patent Technology Licensing Agreement between Jiangsu Xuefeng and Suzhou Zhonghe on August 4, 2012. (3)
10.9	Employment Agreement dated October 5, 2012 between Jiangsu Xuefeng and Kuanfu Fan. (3)
10.10	Patent Licensing Services Agreement, dated August 5, 2012, between Jiangsu Xuefeng and Li Yuan. *
16.1	Letter from Ronald R. Chadwick, P.C. *
99.1	Audited financial statements of Jiangsu Xuefeng as of and for the fiscal years ended May 31, 2012 and 2011 and the unaudited financial statements as of August 31, 2012 *
99.2	Pro forma financial information (3)

* Filed herewith.

- (1) Incorporated by reference to Exhibit 3.1 to the S-1 Registration Statement filed with the SEC on July 12, 2011.
- (2) Incorporated by reference to Exhibit 3.2 to the S-1 Registration Statement filed with the SEC on July 12, 2011.
- (3) Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on December 3, 2012.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

China Xuefeng Environmental Engineering Inc.

Date: January 10, 2013

/s/ Li YUAN
Li YUAN
Chief Executive Officer

吉林常春律师事务所

关于NYC Moda Inc在美国发行股票并在
OTCBB上市的

中国法律意见书

Legal opinion of Jilin Changchun Law Firm on the stock
issuance in USA and listing on OTCBB of NYC Moda
Inc.

二〇一二年十月

October, 2012



吉林常春律师事务所

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吉林常春律师事务所

关于NYC Moda Inc

在美国发行股票并在OTCBB上市

的中国法律意见书

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致江苏雪枫环保科技有限公司：

To Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd.

吉林常春律师事务所（“本所”）为在中华人民共和国（就本法律意见书而言，不包括香港、澳门特别行政区及台湾地区，以下简称“中国”）注册的律师事务所。本所受江苏雪枫环保科技有限公司（“江苏雪枫”）的委托，就NYC Moda Inc（“NYCM”）在美国发行股票并在OTCBB上市之事宜担任中国法律顾问，并出具本意见书。

We are qualified lawyers of the People’s Republic of China (for the purpose of this legal opinion only, excluding Hong Kong, Macau Special Administrative Region and Taiwan, hereinafter referred to as “PRC”). We, on behalf of Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (“Jiangsu Xuefeng”), acts as Chinese Legal Counsel of NYC Moda Inc. (“NYCM”) for its going public on OTCBB and issuing stocks in USA to give this legal opinion.

根据美国1933年证券法案及其修正案的要求，公司发行特定股票需向美国证券交易委员会提交登记声明及其修正案和/或补充说明（以下统称“登记声明”）。为此目的，作为NYCM的中国法律顾问，本所律师为本次股票发行上市过程中有关柏创信息咨询（深圳）有限公司（“柏创咨询”）和江苏雪枫的股权结构以及本意见书附表中所引用文件（“可变利益实体文件”）的合法性和有效性出具如下法律意见。

Pursuant to the requirements of the Securities Act of 1933, as amended, the company who will issue certain stocks shall submit registration statement and its amendment and/or supplemental explanation (collectively, the “registration statement”) to the Securities and Exchange Commission of United States. For this purpose, as NYCM’s Legal Counsel, we have been requested to give this opinion on, *inter alia*, the legal ownership structure of Baichuang Information Consulting(Shenzhen) Co., Ltd (“Baichuang Consulting”) and Jiangsu Xuefeng and the legality and validity of the documents referenced in Exhibit (the “VIE Documents”).

A. 释义

A · Definition

本意见书中，除非文义另有所指，下列词语具有下述含义：

Terms used in this legal opinion shall have the meanings set forth below:

1. “江苏雪枫”意为江苏雪枫环保科技有限公司，一家依据中国法律于2007年12月14日设立的公司；

1. “Jiangsu Xuefeng” refers to Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd., a company established under PRC Laws and Regulations on the 14th day of December, 2007;

2. “柏创咨询”意为柏创信息咨询（深圳）有限公司，一家依据中国法律于2012年9月5日设立的外商独资企业；

2. “Baichuang Consulting” refers to Baichuang Information Consulting(Shenzhen) Co., Ltd., a wholly foreign-owned enterprise established under PRC Laws and Regulations on the 5th day of September, 2012;

3. “盛莲国际”意为盛莲国际控股有限公司，一家依据香港法律于2012年5月2日设立的公司；

3. “Lotus International” refers to Lotus International Holdings Limited, a company established under the laws of Hong Kong on the 2nd day of May, 2012;

4. “Inclusion Business ”意为Inclusion Business Limited，一家于2012年8月9日在英属维京群岛成立的公司；

4. “Inclusion Business” refers to Inclusion Business Limited, a company established in the British Virgin Islands on the 9th day of August, 2012;

5. “NYCM”意为NYC Moda Inc.，一家依据内华达州法律于设立的公司；

5. “NYCM” refers to NYC Moda Inc., a company established according to the law of Nevada;

6. “政府机关”意为中国任一政府主管机关、法院或管理部门；

6. “Government Agencies” refers to any competent Chinese governmental agency, law court or administrative department;

7 “政府许可”意为根据中国相关法律要求，由政府相应主管部门作出的所有批准、认可、许可、授权、登记、豁免、年检记录、资格证书和相应证照；

7. “Government Authorization” refers to all the approvals, consents, permits, authorization, registrations, exemptions, annual inspections, qualification certificates and the corresponding licenses made by competent government departments according to related legal requirements;

8. “中国股东”意指身为中国居民或中国企业的最终受益人或股东

8. “Chinese shareholder” refers to the ultimate beneficial owner(s) or shareholder(s) who are Chinese residents or Chinese business enterprises;

9. “中国法律”意为截至意见出具日在中国有效且为公众所知的全部法律法规；

9. “PRC Laws” refers to all the laws and regulations currently in force and publicly available in China as of the date of this opinion;

10. “中国证监会”意为中国证券监督管理委员会。

10. (CSRC) refers to China Securities Regulatory Commission.

B. 文件和假定

B · Documents and Assumptions

在出具本意见书时，本所律师已查阅了其认为出具本意见书所必需的文件，包括由柏创咨询和江苏雪枫提供的文件以及由中国政府机关签发的相关文件、记录、证照（以下统称为“文件”）。并调查了截至意见出具日中国颁布且为公众所知的相关法律法规。

In rendering this legal opinion, we have reviewed certain documents which are deemed necessary or appropriate to render this opinion, including documents provided by Baichuang Consulting and Jiangsu Xuefeng and relevant authority documents, records, licenses (hereinafter collectively “Documents”) issued by Chinese government agencies. We have made investigation of the applicable laws and regulations issued in the PRC and publicly available as of the date of this opinion.

在未进行独立调查的情况下，本所律师查阅文件时基于以下假定：

In our examination of the Documents, we have assumed without independent investigation and inquiry that:

1. 签署文件的主体均具有签署文件的权利能力和行为能力，所提供的文件中的所有签字和印鉴都是真实的，任何已签署的文件均获得相关当事各方有效授权，且由其法定代表人或合法授权代表签署。所有以原件形式提交给本所律师的文件都是真实的，且所有以影印本提交给本所律师的副本与原件一致；

1. All signers of the Documents have corresponding capacity for rights and conduct to sign the documents; all the signatures and seals on the Documents are genuine; all the Documents are effectively authorized by relevant parties and signed by the legal representatives or legal authorized representatives. All Documents submitted to us as originals are authentic, and all Documents submitted to us as photo static copies conform to the originals;

2. 截至意见出具日，一切足以影响本意见书的事实及文件均已向本所披露，且上述文件仍完全有效，不存在任何被撤销、取消、修正、取代或补充的情形，也不存在任何修正案、修订本、补充或其它变更，也没有任何文件被撤销或废止；

2. As of the date of this opinion, all the Documents which affect the this legal opinion has been submitted to us, and all the Documents remain in full force and effect and have not been revoked, cancelled amended, superseded or supplement, and no amendments, revisions, supplements or other changes have been made, and no revocations or terminations has occurred, with respect to any of the Documents after they were submitted to us for the purpose of this legal opinion;

3. 由相关政府人员依其职权作出的所有解释和说明，以及由柏创咨询和江苏雪枫向本所律师提供的所有文件及事实性陈述，包括但不限于在文件中体现的，都是完整、真实、准确、无误导性且无重大遗漏。对于本意见书至关重要而又无法得到独立的证据支持的事实，本所律师依赖于有关政府部门出具的证明文件出具本法律意见书；并且

3. All the explanations and interpretations made by the government officers in their authority, and all the Documents and factual statements provided to us by Baichuang Consulting and Jiangsu Xuefeng, including but not limited to those set forth in the Documents, are complete, true, correct, not misleading and without significant omission. Where important facts were not independently established to us, we rely upon the certificates issued by the Government Agencies with proper authority which are available to us; and

4. 所适用的中国法规、判例、命令或法令、规则、规定和事实，在意见出具日未作任何更改，且将不做更改。

4. The applicable Chinese laws and regulations, judgment, orders or decree, rules, regulations and facts, shall remain unchanged as of the date hereof and will not be changed.

基于上述假定,并结合本所律师对文件的审查以及对中国法律的理解，出具如下法律意见：

Based on our review of the Documents and our understandings of Chinese laws, subject to the foregoing assumptions, we are of the opinion that:

1. 柏创咨询是一家依据中国法律设立并有效存续的台港澳独资企业，其全部股权由盛莲国际所有，并具有企业法人地位。依照中国相关的法律、深圳市福田区经济促进局于2012年9月4日出具的深外资福复【2012】0590号文件及柏创咨询章程的规定，柏创咨询的注册资本已全部缴清。尽本所律师调查后所知，不存在任何可能导致柏创咨询股权变更或注册资本金额变动的担保、抵押、留置、索赔或其他第三方权益。

1. Baichuang Consulting has been duly incorporated and validly exists as a wholly foreign-owned enterprise (for overseas investors from Taiwan, Hong Kong and Macao) with limited liability under the PRC Laws. One hundred percent (100%) of the equity in Baichuang Consulting is owned by Lotus International. Baichuang Consulting has the enterprise legal person status. In accordance with relevant PRC laws, "No. 0590 document of Shen Fu Mao Zi Re [2012]" made by Business Promotion Bureau of Futian District of Shenzhen City and the articles of associations of Baichuang Consulting, the registered capital of Baichuang Consulting has been duly paid. To our best knowledge after due inquiry, there is no mortgages, pledge, detention, claim or other third party rights and interests that may lead to the change of the shareholdings or the amount of the registered capital of Baichuang Consulting.

2. 江苏雪枫已依据中国法律以有限责任公司的形式设立并有效存续且具有企业法人地位，其90%的股权由袁力所有，剩余10%的股权由袁义所有。依照中国相关法律和江苏雪枫的章程规定，江苏雪枫的注册资本已全部缴清。尽本所律师调查后所知，除因附表列出的可变利益实体文件引起的变动之外，不存在任何可能导致江苏雪枫股权变更或注册资本金额变化的担保、抵押、留置、索赔或其他第三方权益。江苏雪枫自成立以来所经历的各项变更均为合法有效，且依据中国法律完备并规范地履行了相关法律手续，并未发现任何违反中国法律的情形。

2. Jiangsu Xuefeng has been duly incorporated as a limited liability company and validly exists under the PRC Laws. Jiangsu Xuefeng has the enterprise legal person status. Yuan Li owns 90% of the company's equity interest, and the remaining 10% is owned by Yuan Yi. In accordance with PRC relevant laws and the articles of associations of Jiangsu Xuefeng, the registered capital of Jiangsu Xuefeng has been duly paid. To our best knowledge after due inquiry, except for those contemplated under the VIE Documents listed in the exhibit, there is no mortgages, pledge, detention, claim or other third party rights and interests that may lead to the change of the shareholdings or the amount of the registered capital of Jiangsu Xuefeng. All the alternation happened to Jiangsu Xuefeng since its establishment are legal and valid, and Jiangsu Xuefeng performed the legal procedures normally and completely without violation of PRC laws.

3. 尽本所律师在尽职调查后所知，柏创咨询与江苏雪枫股权结构明晰，且股东均具有中国法律规定担任股东的资格，股东人数、出资比例亦符合有关中国法律的规定。

3. To our best knowledge after due inquiry, Baichuang Consulting and Jiangsu Xuefeng have clear ownership structure, and their shareholders all have the qualification, number, and ratio of investments ruled under the PRC Laws.

4. 柏创咨询和江苏雪枫均取得了相应政府许可，从而具备完全能力占有、使用、租赁和处分其资产，并按照其营业执照描述的经营范围从事经营活动。尽本所律师在尽职调查后所知，柏创咨询和江苏雪枫在一切重大方面都遵守此类规定。

4. Both Baichuang Consulting and Jiangsu Xuefeng have got relevant Government Authorization, thereby having sufficient corporate right and power to own, use, lease and dispose of their assets and conduct their business in the manner described in their business licenses. To our best knowledge after due inquiry, Baichuang Consulting and Jiangsu Xuefeng are in compliance with the provisions of all such Governmental Authorizations in all material aspects

5. 尽本所律师在尽职调查后所知，柏创咨询和江苏雪枫的章程和营业执照在一切重大方面都与中
国相关的法律相符，并完全有效。

5. To our best knowledge after due inquiry, the articles of association and the business license of Baichuang Consulting and Jiangsu Xuefeng are in compliance with requirements of the applicable PRC laws in all material aspects and are in full force and effect.

6. 尽本所律师尽职调查后所知，柏创咨询和江苏雪枫从事的业务在一切重大方面都与其公司章程及中国法律相符，并取得了与经营有关、且必要、重大的中国政府许可。

6. To our best knowledge after due inquiry, the business of Baichuang Consulting and Jiangsu Xuefeng complies with its articles of association and the PRC Laws in all material aspects. All necessary and material PRC Governmental Authorizations were duly obtained in connection with any operations in the PRC.

7. 尽本所律师尽职调查之后所知，柏创咨询/江苏雪枫名下无任何物业，其经营所需的房产是通过柏创咨询/江苏雪枫或其授权的人签订合法、有效并有约束力的租赁协议取得。

7. To our best knowledge after due inquiry, neither Baichuang Consulting/ Jiangsu Xuefeng owns any real property. The real property and buildings required in its operation is acquired through signing valid, effective and enforceable leasing agreements by Baichuang Consulting/ Jiangsu Xuefeng or their authorized persons.

8. 尽本所律师尽职调查后所知，柏创咨询与江苏雪枫合法占有使用与其核心业务有关的一切重大资产，且在任何情况下都不存在针对上述重大资产的担保、抵押、留置、索赔或其他第三方权益，不存在权属争议或与之有关的争议或纠纷

8. To our best knowledge after due inquiry, Baichuang Consulting and Jiangsu Xuefeng own all the material assets related to their core business, and in all circumstances can free from retention, pledge, compensation, priority repay, restriction, ownership dispute or other involved dispute and controversy

9. 尽本所律师尽职调查后所知，不存在针对柏创咨询/江苏雪枫或其资产，并可能对柏创咨询/江苏雪枫产生重大负面影响的诉讼、其他法律程序或政府决策、裁定、命令、要求、计划。（无论是尚未了结的、或是可以预见的）

9. To our best knowledge after due inquiry, there is no current, pending or threatened legal, regulatory, administrative or other governmental decision, ruling, order, action, proceeding or initiative to which any of Baichuang Consulting or Jiangsu Xuefeng is a party to or to which any of the assets of Baichuang Consulting and Jiangsu Xuefeng are subject, that could have a Material Adverse Effect on Baichuang Consulting or Jiangsu Xuefeng.

10 尽本所律师尽职调查后所知，柏创咨询与江苏雪枫并未采取与清算、解散或破产有关的公司行为或法律程序，也不存在任何清算委员会、破产管理人或其他有关人员对其财产作出分配决定，也不存在政府机关责令其停止营业、暂扣或吊销营业执照的情形。

10. To our best knowledge after due inquiry, neither of Baichuang Consulting and Jiangsu Xuefeng has taken any corporate action, nor have any legal proceedings commenced against it, for its liquidation, dissolution, or bankruptcy, for the appointment of a liquidation committee, team of receivers or similar officers in respect of its assets or for the suspension, withdrawal, revocation or cancellation of any of the Governmental Authorizations.

11. 尽本所律师尽职调查后所知，本意见书附表中列出的每份可变利益实体文件都具有法律效力并对文件涉及的各方均有约束力，且不违反中国有关法律的强制性规定。

11. To our best knowledge, each of the VIE Documents as listed in the Exhibit hereto, is valid and enforceable against all parties involved in the VIE Documents and does not violate any mandatory provisions of the applicable PRC Laws.

12. 2006年8月8日，国务院六部委，即商务部、国有资产监督管理委员会、国家税务局、国家工商行政管理总局、中国证券监督管理委员会及国家外汇管理局共同颁发了“关于外国投资者并购境内企业的规定”（“10号令”），并于2006年9月8日生效。2009年6月22日，商务部对“关于外国投资者并购境内企业的规定”进行了修订，（即“6号令”，与10号令统称为“新并购规则”），于发布之日生效。新并购规则称，境内公司和/或自然人为实现以其拥有的境内公司权益在境外上市而直接或间接地控制的境外公司，在境外股票交易所上市交易之前应取得中国证监会的批准。2006年9月21日，根据10号令和其它中国法律，中国证监会在其官方网站上发布了关于中国境内企业在境外股票交易所上市交易的指引（“相关说明”），其中包括通过特殊目的公司在境外股票交易所上市所需的申请材料。

12. On August 8, 2006, six ministries of the State Council, namely Commerce Ministry, State-owned Assets Supervision and Administration Commission, State Administration of Taxation, State Administration of Industry and Commerce, China Securities Regulatory Commission and State Administration of Foreign Exchange, jointly issued “*Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*” (the “Order 10”), which came into force on September 8, 2006. On June 22, 2009, Commerce Ministry modified “*Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*”, (namely “the Order 6”, jointly called “New M&A Rules” with No.10 Order), which came into force at the date issued. The New M&A Rules purport, among other things, to require offshore special purpose vehicles formed for the purpose of overseas listing of the equity interests in PRC company and controlled directly or indirectly by PRC company and/or PRC individuals to obtain the approval of the CSRC prior to the listing and trading of their securities on overseas stock exchanges. On September 21, 2006, pursuant to the Order 10 and other PRC Laws, the CSRC published on its official website relevant guidance with respect to the listing and trading of PRC domestic enterprises’ securities on overseas stock exchanges (the Related Clarifications”), including a list of application materials regarding the listing on overseas stock exchange by special purpose vehicles.

根据本所律师对截至意见出具日为公众所知的中国现行法律的理解，本所律师认为由于(a) 柏创咨询是一家外商独资企业，不存在中国股东 (b) 在登记声明中描述的对Inclusion Business的并购是在两个离岸公司之间进行的，且中国证监会目前未对此类交易是否适用新并购规则作出明确规定，并且 (c) 中国证监会目前未对NYCM计划并在登记声明中描述的股票发行是否适用新并购规则及相关说明制定明确的规定。因此，NYCM本次的股票发行无需按照新并购规则的要求以取得中国证监会的批准。

Based on our understanding of the current PRC Laws publicly available as of the date hereof, we believe that since (a) Baichuang Consulting, as a foreign-owned enterprise, has no Chinese shareholder (b) the Acquisition of Inclusion Business described in the Registration Statement was between offshore companies, and the CSRC currently has not issued any definitive rule concerning whether such transactions are subject to the New M&A Rules and Related Clarifications, and (c) the CSRC currently has not issued any definitive rule concerning whether offerings like the Offering contemplated by NYCM and as described in the Registration Statement is subject to the New M&A Rules and Related Clarifications, NYCM is not required to obtain the approval of the CSRC under the New M&A Rules in connection with this Offering.

作为中国的执业律师，本所律师根据截至意见出具日现行有效且为公众所知的中国法律出具本法律意见书，且本意见书是基于以下条件出具：

We are licensed to practice in the PRC and the foregoing opinion is limited to the PRC Laws currently in force and publicly available on the date of this opinion and is subject to the following additional qualifications:

1· 本意见书是依据截至意见出具日普遍适用、有效的中国法律作出的。本所律师未对有关的境外法律进行调查，也未明示或暗示与之有关的任何观点。

1. Our opinion is limited to the PRC Laws of general application effective as of the date hereof. We have made no investigation of, and do not express or imply any views on, the laws of any country other than the PRC;

2· 本意见书旨在用于本次发行上市之目的。

2. This legal opinion is intended to be used for the purpose of this issuance and offering.

3· 本意见书中提及的中国法律是截至意见出具日为公众所知并有效的法律法规，但无法保证在短期或长期内，对上述法律法规作出更改、修正或撤销时，此类变动无溯及力。

3. The PRC Laws referred to herein are laws and regulations publicly available and currently in force on the date hereof and there is no guarantee that any of such laws and regulations or the interpretation or enforcement thereof, will not be changed, amended or revoked in the immediate future or in the long term with or without retrospective effect;

4· 本意见书是基于本所律师对中国现行法律的理解而出具的，至于上述法律未明确规定的事项，在其执行和适用的过程中,中国的立法、行政和司法机关也许会依据自由裁量权作出与本意见书不一致的处理意见。

4. This opinion is issued based on our understanding of the current PRC Laws. For matters not explicitly provided under the current PRC Laws, the interpretation, implementation and application of the specific requirements under the PRC Laws are subject to the final discretion of competent PRC legislative, administrative and judicial authorities, which may be different from our opinion; and

5· 本所律师审阅由政府机关、柏创咨询和江苏雪枫提供的文件时，关注的是以上文件内容的合理程度,而并非此类文件取得途径的合法性。

5. We may rely, as to matters of fact (but not as to legal conclusions), to the extent reasonable, on certificates and confirmations of Government Agencies or responsible officers of the Baichuang Consulting and Jiangsu Xuefeng

本意见书仅供NYCM为本次发行上市之目的使用，未征得本所律师的事先书面许可，不得为任何其它目的对本意见书进行参考、引用、借鉴，发布，或提交给除本次发行股票的法律和财务顾问之外的任何第三人。

This opinion is only used for the purpose of the issuance and offering of NYCM. Without our prior written permission, this opinion shall not be relied upon, quoted or referred to for any other purpose or released upon by, or furnished to any other person other than the legal and financial counsel of this stock issuance.

鉴于此，本所律师同意提交本意见书作为登记声明的附件使用，并在登记声明中援引本所的名称。

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of this opinion (including discussion of this opinion) and reference to our firm name in the Registration Statement.

特此致书

Hereby write.

【下接签署页】

[Following the Signing Page]

(本页无正文，为《吉林常春律师事务所关于NYC Moda Inc
在美国发行股票并在O T C B B上市的法律意见书》的签署页)

(No text on this page. Signing page of “Legal opinion of Jilin Changchun Law Firm on the stock issuance in USA
and listing on OTCBB of NYCM”)

吉林常春律师事务所（盖章）

经办律师（盖章）：

Jilin Changchun Law Firm (Seal)

Lawyer (Seal):

2012年10月17日

October 17th, 2012

附件：可变利益实体文件列表

Exhibit: List of Documents of Variable Interest Entity

1.	2012年10月17日由柏创咨询和江苏雪枫之间签署的独家技术服务与商业咨询协议； Exclusive Technical Service and Business Consulting Agreement by and between Baichuang Consulting and Jiangsu Xuefeng dated October 17 th , 2012
2.	2012年10月17日由柏创咨询、江苏雪枫、袁力、袁义之间签署的股东表决权委托协议； Voting Right Proxy Agreement by and among Baichuang Consulting, Jiangsu Xuefeng, Yuan Li and Yuan Yi dated October 17 th , 2012
3.	2012年10月17日由柏创咨询、袁力、袁义之间签署的股权转让期权协议； Call Option Agreement by and among Baichuang Consulting, Yuan Li and Yuan Yi dated October 17 th , 2012
4.	2012年10月17日由柏创咨询、江苏雪枫、袁力、袁义之间签署的股权质押协议； Equity Pledge Agreement by and among Baichuang Consulting, Jiangsu Xuefeng, Yuan Li and Yuan Yi dated October 17 th , 2012

专利许可使用服务协议

Patent Licensing Service Agreement

授予人：袁力（下称“甲方”）

Grantor: Li Yuan (“Party A”)

使用人：江苏雪枫环保科技有限公司（下称“乙方”）

User: Jiangsu Xuefeng Environmental Protection Science and Technology Co.,Ltd. (“Party B”)

鉴于：甲方是“垃圾无害化综合处理设备”的专利权拥有者，并且同意将垃圾无害化综合处理设备专利技术的使用权许可乙方使用；

Whereas: Party A is the patent owner of the “comprehensive and harmless garbage processing equipment” and agrees to license Party B the right to use the patent technology;

乙方同意接受甲方关于该项专利技术的有偿许可使用行为；

Party B agrees to accept the paid licensing of the patent technology from Party A;

依照《中华人民共和国合同法》及其他相关法律法规规定，双方通过友好协商，同意就以下条款签订本协议。

In accordance with the ‘Contract Law of the People's Republic of China’ and other relevant laws and regulations, under mutual friendly consultation, both parties entered into the following agreement for the purpose of jointly observe.

第一条 定义

I. Definition

本协议所指“专利技术”是指“垃圾无害化综合处理设备”技术，该技术已于2010年7月7日获得中华人民共和国国家知识产权局核准，获得了专利权，专利号为：ZL 2009 2 0232893.7。

The “patent technology” in this agreement refers to the “comprehensive and harmless garbage processing equipment” technology, which had obtained the approval and patent right from the State Intellectual Property Office of the People’s Republic of China on July 7th 2010 with the patent number: ZL 2009 2 0232893.7.

第二条 协议内容

II. Content of Agreement

- 1、甲方将“垃圾无害化综合处理设备”的专利技术以每月8万元人民币的价格许可乙方使用；
- 1、Party A licenses the patent technology of “comprehensive and harmless garbage processing equipment” to Party B for a monthly payment of RMB80,000;
- 2、乙方有权行使中国法律赋予该专利技术除所有权之外的其他权利。
- 2、Party B is entitled to exercise all the rights of the patent technology empowered by the PRC laws except the ownership.

第三条 许可使用期限

III. Term of Licensing

- 1、经双方协商确定，甲方许可乙方使用协议标的专利技术期限为五年，自2012年9月1日至2017年8月31日止；
- 1、Under mutual negotiation, the patent technology licensing term of the subject matter from Party A to Party B is 5 years, from September 1st 2012 to August 31st 2017;
- 2、在上述许可使用期限届满后三年内，乙方拥有优先使用权。
- 2、Party B owns the priority of the patent technology within three years after expiry.

第四条 价款的支付

IV. Payment

甲乙双方协商一致，按照如下支付方式支付本协议价款：

Under mutual consensus, the payment of the agreement shall be paid as follow:

1、2012年12月31日前，乙方支付2012年9月1日至2013年12月31日期间内的专利技术许可使用费用，共计128万元人民币；

1、Party B shall pay the patent technology licensing fee of RMB1,280,000 before December 31, 2012 for the period from September 1, 2012 to December 31, 2013;

2、剩余期限内，乙方于每年12月31日前，一次性支付下一年的技术许可使用费用，每年共计96万元人民币。

2、During the remaining period, Party B shall pay the patent technology licensing fee for the next year one time before every December 31 for the annual amount of RMB960,000.

第五条 权利义务

V. Rights and Obligations

1、甲方有权向乙方提供协议标的专利技术的相关必要资料，包括专利的名称、内容、证书、专利编号和该项专利具体技术资料等；

1、Party A is obligated to provide the relevant necessary materials regarding the subject matter of the patent technology to Party B, including the name, content, certificate, number and detailed technical information of the patent;

2、协议标的专利技术许可乙方使用后，甲方应当对该技术使用过程中的技术问题给予必要指导；同时，甲方不得继续使用该项专利技术，并不得向任何第三方转让、赠与、许可使用该专利技术；

2、After the patent licensing, Party A shall provide necessary guidance for the technical problems during the use of the technology; Meanwhile, Party A shall no longer continue using the patent technology and shall never transfer, grant or license the patent technology to any third party;

3、乙方有权以任何合法方式使用或者许可他人使用本协议标的专利技术；

3、Party B has the right to use or allow other people to use the patent technology of the subject matter in any legal manner;

4、甲方不得向任何第三方泄露该专利技术的全部或部分内容，但法律、法规另有规定或双方另有约定的除外。

4、Unless otherwise indicated by the provisions of the laws and regulations or any other agreements between the two parties, Party A shall not reveal the content of the patent technology to any third party, wholly or partially.

第六条 违约责任

VI. Liability for Breach of Agreement

1、甲方违反协议约定，拒绝向乙方提供专利技术的必要资料，应当承担违约责任；对乙方因此而造成的损失，应当予以赔偿；

1、Should Party A breach the agreement by refusing to provide the necessary materials of the patent technology to Party B, Party A shall be responsible for the breach of the agreement and compensate for the losses of Party B accordingly;

2、甲方违反协议约定，继续使用该项专利技术，或向第三方转让、赠与、许可使用该专利技术，应当承担违约责任；对乙方因此而造成的损失，应当予以赔偿。

2、Should Party A violate the agreement by continuing the use of the patent technology, or by transferring, granting, or licensing any third party the use of the patent technology, Party A shall be responsible for the breach of the agreement and compensate for the losses of Party B accordingly.

第七条 纠纷解决

VII. Settlement of Dispute

甲方与乙方在履行本协议过程中产生纠纷的，本着长期合作的原则，由双方协商解决；协商不成的，任何一方均有权向乙方所在地人民法院提起诉讼。

Any disputes arising from the performance of the agreement between Party A and Party B shall be solved through mutual consultation under the principle of long term cooperation; if failed; either party shall have the right to bring a lawsuit to the local People's court of Party B.

第八条 其他

VIII. Miscellaneous

1、双方未尽事宜，可另行签订书面协议，作为本协议的补充；

1、Both parties may supplement the agreement by entering into a written agreement for matters not mentioned here;

2、本协议自双方签字或盖章之日起生效，双方各执一份，具有同等的法律效力。

2、The agreement shall come into effect upon signing by both parties. The agreement is made in duplicate and each party holds one counterpart with the same legal effect.

甲方：

Party A: Li Yuan

乙方：江苏雪枫环保科技有限公司

Party B: Jiangsu Xuefeng Environmental Protection Science and Technology Co.,Ltd

授权代表：

Authorized representative: Li Yuan

日期：2012年8月5日

Date: August 5, 2012

RONALD R. CHADWICK, P.C.
Certified Public Accountant
2851 South Parker Road, Suite 720
Aurora, Colorado 80014
Telephone (303)306-1967
Fax (303)306-1944

November 27, 2012

U.S. Securities and Exchange Commission
450 Fifth Street NW
Washington, D.C. 20549

Re: China Xuefeng Environmental Engineering Inc.
SEC File No. 333-175483

On November 26, 2012 my appointment as auditor for China Xuefeng Environmental Engineering Inc. ceased. I have read China Xuefeng Environmental Engineering Inc.'s statements included under Item 4.01 of its Form 8-K dated November 27, 2012 and agree with such statements, insofar as they apply to me.

Very truly yours,

Ronald R. Chadwick, P.C.
Ronald R. Chadwick, P.C.
Certified Public Accountant

***JIANGSU XUEFENG ENVIRONMENTAL
PROTECTION SCIENCE AND TECHNOLOGY CO.,
LTD.***

**Financial Statements for the
Three Months Ended August 31, 2012 and 2011**

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**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
BALANCE SHEETS
(IN U.S. \$)**

ASSETS	August 31, 2012	May 31, 2012
	<u>(Unaudited)</u>	<u></u>
Current assets:		
Cash	\$ 4,536,525	\$ 4,120,811
Prepaid expenses	<u>4,109</u>	<u>5,870</u>
Total current assets	<u>4,540,634</u>	<u>4,126,681</u>
Fixed assets, net	<u>29,020</u>	<u>27,365</u>
Other assets:		
Prepayment for acquisition of land use right	788,500	788,532
Deferred income taxes	<u>-</u>	<u>2,632</u>
Total other assets	<u>788,500</u>	<u>791,164</u>
TOTAL ASSETS	<u>\$ 5,358,154</u>	<u>\$ 4,945,210</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
BALANCE SHEETS
(IN U.S. \$)**

LIABILITIES AND STOCKHOLDERS' EQUITY	August 31, 2012 (Unaudited)	May, 31 2012
Current liabilities:		
Income taxes payable	\$ 66,431	\$ -
Loan from stockholder	35,000	-
Accrued liabilities	61,995	81,321
Total current liabilities	<u>163,426</u>	<u>81,321</u>
Stockholders' equity:		
Registered capital	4,677,144	4,677,144
Statutory reserve fund	30,661	-
Retained earnings (deficit)	281,868	(19,134)
Other comprehensive income	<u>205,055</u>	<u>205,879</u>
Total stockholders' equity	<u>5,194,728</u>	<u>4,863,889</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 5,358,154</u>	<u>\$4,945,210</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)

	Three Months Ended August 31,	
	2012	2011
	(U.S. \$)	(U.S. \$)
Revenue	\$ 632,000	\$ -
Cost of revenue	(85,357)	-
Gross profit	546,643	-
Operating expenses:		
Selling expenses	4,598	-
General and administrative expenses	101,323	13,201
Total operating expenses	105,921	13,201
Operating income (loss)	440,722	(13,201)
Other income:		
Interest income	1,495	1,535
Income (loss) before provision for income taxes	442,217	(11,666)
Provision for (benefit from) income taxes	110,554	(2,917)
Net income (loss)	331,663	(8,749)
Other comprehensive income:		
Foreign currency translation adjustment	(824)	76,971
Total comprehensive income	\$ 330,839	\$ 68,222

See accompanying notes to the financial statements.

JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND TECHNOLOGY CO., LTD.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 (UNAUDITED) (IN U.S.\$)

	<u>Registered Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Statutory Reserve Fund</u>	<u>Other Comprehensive Income (Loss)</u>	<u>Total Stockholders' Equity</u>
Balance, May 31, 2012	\$ 4,677,144	\$ (19,134)	\$ -	\$ 205,879	\$ 4,863,889
Net income	-	331,663	-	-	331,663
Appropriation of statutory reserves	-	(30,661)	30,661	-	-
Foreign currency translation adjustment	-	-	-	(824)	(824)
Balance, August 31, 2012 (unaudited)	<u>\$ 4,677,144</u>	<u>\$ 281,868</u>	<u>\$ 30,661</u>	<u>\$ 205,055</u>	<u>\$ 5,194,728</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
STATEMENTS OF CASHFLOWS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)**

	<u>2012</u>	<u>2011</u>
	(U.S. \$)	(U.S. \$)
Cash flows from operating activities:		
Net income (loss)	\$ 331,663	\$ (8,749)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,401	309
Deferred income taxes	2,637	(2,917)
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	1,761	1,655
Increase in income taxes payable	66,431	-
(Decrease) in accrued liabilities	<u>(19,325)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>385,569</u>	<u>(9,702)</u>
Cash flows from investing activities:		
Purchase of equipment	(4,060)	(1,528)
Cash flows from financing activities:		
Proceeds from stockholder loan	<u>35,000</u>	<u>-</u>
Effect of exchange rate changes on cash	<u>(794)</u>	<u>76,138</u>
Net change in cash	<u>415,724</u>	<u>64,909</u>
Cash, beginning	<u>4,120,811</u>	<u>4,635,232</u>
Cash, end	<u>\$ 4,536,525</u>	<u>\$ 4,700,141</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 41,498</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)

NOTE 1. ORGANIZATION

Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (the “Jiangsu Xuefeng”) was incorporated under the laws of the People’s Republic of China (“PRC”) on December 14, 2007. Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment. There have been only three sales transactions since Jiangsu Xuefeng’s formation through August 31, 2012.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION

All Jiangsu Xuefeng assets are located in the PRC. The functional currency for the majority of Jiangsu Xuefeng’s operations is the Renminbi (“RMB”). Jiangsu Xuefeng uses the United States dollar (“US Dollar” or “US\$” or “\$”) for financial reporting purposes. The financial statements of Jiangsu Xuefeng have been translated into US dollars in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 830, “*Foreign Currency Matters*.” All asset and liability accounts have been translated using the exchange rate in effect at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transactions occurred. Statements of operations amounts have been translated using the average exchange rate for the periods presented. Adjustments resulting from the translation of Jiangsu Xuefeng’s financial statements are recorded as other comprehensive income.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION (CONTINUED)

The exchange rates used to translate amounts in RMB into US dollars for the purposes of preparing the financial statements are as follows:

	<u>August 31, 2012</u>	<u>May 31, 2012</u>	<u>August 31, 2011</u>
Balance sheet items, except for stockholders' equity, as of year or period end	<u>0.1577</u>	<u>0.1577</u>	<u>N/A</u>
Amounts included in the statements of operations, statements of changes in stockholders' equity and statements of cash flows for period	<u>0.1580</u>	<u>N/A</u>	<u>0.1532</u>

For three months ended August 31, 2012 and 2011, foreign currency translation adjustments of (\$824) and \$76,971 have been reported as other comprehensive income (loss).

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US dollars at that rate or any other rate.

The value of the RMB against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of the RMB may materially affect the Jiangsu Xuefeng's financial condition in terms of US dollar reporting.

REVENUE RECOGNITION

Jiangsu Xuefeng's revenues are primarily derived from providing garbage recycling processing system technology support, renovation and upgrade services. Jiangsu Xuefeng's revenue recognition policies comply with FASB ASC 605 "Revenue Recognition." In general, Jiangsu Xuefeng recognizes revenue when there is persuasive evidence of an arrangement, the fee is fixed or determinable, the products or services have been delivered or performed and collectability of the resulting receivable is reasonably assured.

For the three month ended August 31, 2012, sales relate solely to improvement and upgrading services provided to garbage recycling processing systems of two unrelated third parties in accordance with contracts. The services were completed and accepted by the customers and the payment was received in full as of August 31, 2012. No warranty is provided by Jiangsu Xuefeng.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

VULNERABILITY DUE TO OPERATIONS IN PRC

Jiangsu Xuefeng's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than twenty years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent, effective or continue.

FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, "*Fair Value Measurements and Disclosures*," specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that Jiangsu Xuefeng has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Jiangsu Xuefeng did not identify any assets or liabilities that are required to be presented at fair value on a recurring basis. Non-derivative financial instruments include cash, due from related party and accrued liabilities. As of August 31, 2012 and May 31, 2012, the carrying values of these financial instruments approximated their fair values due to the short term nature of these financial instruments.

CASH AND CASH EQUIVALENTS

Jiangsu Xuefeng considers all demand and time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the contract amount after deduction of trade discounts, allowances, if any, and do not bear interest. The allowance for doubtful accounts, when necessary, is Jiangsu Xuefeng's best estimate of the amount of probable credit losses of accounts receivable. Jiangsu Xuefeng determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Jiangsu Xuefeng does not have any off-balance-sheet credit exposure related to its customers. As of August 31, 2012 and May 31, 2012, Jiangsu XUufeng did not have any accounts receivable. For the periods presented, Jiangsu XUefeng did not write off any accounts receivable as bad debts.

FIXED ASSETS

Fixed assets are recorded at cost, less accumulated depreciation. Cost includes the prices paid to acquire the assets, and any expenditure that substantially increase the assets value or extends the useful life of an existing asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the periods benefited. Maintenance and repairs are generally expensed as incurred.

The estimated useful lives for fixed assets categories are as follows:

Computers and equipment	3 years
Fixtures and furniture	5 years

INCOME TAXES

Jiangsu Xuefeng accounts for income taxes in accordance with FASB ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax reporting purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets at May 31, 2012 consisted entirely of the tax benefit of net operating losses were available to offset future taxable income.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, Jiangsu Xuefeng may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions. As of August 31, 2012 and May 31, 2012, Jiangsu Xuefeng does not have a liability for any unrecognized tax benefits.

ADVERTISING COSTS

Advertising costs are charged to operations when incurred. Jiangsu Xuefeng did not incur any advertising costs for the three months ended August 31, 2012 and 2011.

STATUTORY RESERVE FUND

Pursuant to corporate law of the PRC, Jiangsu Xuefeng is required to transfer 10% of its net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of Jiangsu Xuefeng's registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after such use is not less than 25% of the registered capital. For the three months ended August 31, 2011, Jiangsu Xuefeng was not required to fund the a statutory reserve fund as Jiangsu Xuefeng has an accumulated deficit. For the three months ended August 31, 2012, statutory reserve of \$30,661 was required to be transferred by Jiangsu Xuefeng .

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-11, *“Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities”* (“ASU 2011-11”). The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Jiangsu Xuefeng does not expect that the adoption of ASU 2011-11 will have a significant, if any, impact on Jiangsu Xuefeng’s financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *“Testing Goodwill for Impairment”* (“ASU No. 2011-08”), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-08 did not have a material impact on Jiangsu Xuefeng’s financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *“Presentation of Comprehensive Income”* (“ASU No. 2011-05”), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income (“OCI”) by eliminating the option to present components of OCI as part of the statement of changes in stockholders’ equity. The amendments in this standard require that all nonowner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, *“Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income”* (“ASU No. 2011-12”), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented.

The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-08 did not have a material impact on Jiangsu Xuefeng’s financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2012 AND 2011 (UNAUDITED)**

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, “*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*” (“ASU No. 2011-04”), which amends current guidance to result in common fair value measurements and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs (Level 3 inputs, as defined in Note 2). The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-04 did not have a material impact on Jiangsu Xuefeng’s financial statements.

NOTE 4. FIXED ASSETS

Fixed assets are summarized as follows:

	August 31, 2012	May 31, 2012
	(Unaudited)	
Computers and equipment	\$ 25,090	\$ 21,039
Fixtures and furniture	12,760	12,760
	37,850	33,799
Less: Accumulated depreciation	(8,830)	(6,434)
	\$ 29,020	\$ 27,365

For the three months ended August 31, 2012 and 2011, depreciation expense amounted to \$2,401 and \$309, respectively.

NOTE 5. PREPAYMENT FOR ACQUISITION OF LAND USE RIGHT

On March 23, 2012, Jiangsu Xuefeng entered into an agreement with an independent third party to acquire a 50-year land use right for construction of a factory facility for cash consideration of US\$851,580, equivalent to RMB5,400,000, of which US\$788,500, equivalent to RMB5,000,000 was paid before August 31, 2012. As of August 31, 2012, the land used right had not been obtained and no certificate for the use of land had been issued to Jiangsu Xuefeng.

The agreement provides terms that under certain circumstances, such as delay in construction, Jiangsu Xuefeng may be subject to a penalty of up to 20% of the payment for the land use right, or forfeiture of the land use right.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	<u>August 31, 2012</u> (unaudited)	<u>May 31, 2012</u>
Payroll	\$ 14,023	\$ 10,995
Professional fees	47,972	70,000
Other	-	326
	<u>\$ 61,995</u>	<u>\$ 81,321</u>

NOTE 7. INCOME TAXES

The provision for (benefit from) income taxes consisted of the following for three months ended August 31, 2012 and 2011:

	<u>2012</u> (Unaudited)	<u>2011</u> (Unaudited)
Current	\$ 107,917	\$ -
Deferred	2,637	(2,917)
	<u>\$ 110,554</u>	<u>\$ (2,917)</u>

Jiangsu Xuefeng's tax filings are subject to examination by the tax authorities. The tax years 2007 to 2011 remain open to examination by tax authorities in the PRC.

NOTE 8. RELATED PARTY TRANSACTION

On August 5, 2012, Jiangsu Xuefeng entered into agreement to lease a patent on garbage recycling processing technology from Li Yuan, one of Jiangsu Xuefeng's stockholders. Under the current lease terms, Jiangsu Xuefeng is required to pay a fee of \$12,600 (RMB 80,000) each month for five years. (See Note 9)

Jiangsu Xuefeng obtained demand loan from the above stockholder which is non-interest bearing. The loan of \$34,999 representing the professional fees paid by the stockholder, as of August 31, 2012, is reflected as stockholder loans in the balance sheets.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. LEASES

Jiangsu Xuefeng leases office space under a one-year operating lease from an unrelated third party, expiring March 31, 2013. The lease requires Jiangsu Xuefeng to prepay the one year rental of \$7,044 (RMB44,664). The related prepayments of \$4,109 and \$5,870 are included in the prepaid expenses on the balance sheets as of August 31, 2012 and May 31, 2012, respectively. The lease provides for renewal options. Rent expense charged to operations for the three months ended August 31, 2012 and 2011 was \$1,764 and \$1,732, respectively.

On August 5, 2012, Jiangsu Xuefeng entered into a lease agreement with Li Yuan, one of its stockholders for the use of a patent on garbage recycling processing technology. The lease commenced on September 1, 2012 with a monthly payment of approximately \$12,600 (RMB 80,000). The lease expires in July 2017.

The minimum rentals for the remaining term as of August 31, 2012 are approximated as follows:

Period Ending August 31,	Annual Amount
2013	\$ 151,200
2014	151,200
2015	151,200
2016	151,200
2017	151,200
	<u>\$ 756,000</u>

NOTE 10. CONCENTRATION OF CREDIT RISK

Substantially all of Jiangsu Xuefeng's bank accounts are in banks located in the PRC and are not covered by protection similar to that provided by the FDIC on funds held in United States banks.

Two customers accounted for the 100% of the sales for the three months ended August 31, 2012.

NOTE 11. SUBSEQUENT EVENT

On October 17, 2012, Jiangsu Xuefeng entered into (i) an Exclusive Technical Service and Business Consulting Agreement; (ii) a Proxy Agreement, (iii) Share Pledge Agreement, (iv) Call Option Agreement with Baichuang Information Consulting (Shenzhen) Co., Ltd. ("Baichuang"). The foregoing agreements are collectively referred to as the "Management and Control Agreements."

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
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NOTES TO THE FINANCIAL STATEMENTS
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Exclusive Technical Service and Business Consulting Agreement: Pursuant to the Exclusive Technical Service and Business Consulting Agreement, Baichuang provides technical support, consulting, training, marketing and business consulting services to Jiangsu Xuefeng as related to the business activities of Jiangsu Xuefeng. In consideration for such services, Jiangsu Xuefeng has agreed to pay an annual service fee to Baichuang an amount equal 95% of Jiangsu Xuefeng's annual net income with an additional payment of approximately \$15,770 (RMB 100,000) each month. The agreement has an unlimited term and can only be terminated upon written notice agreed to by both parties.

Proxy Agreement: Pursuant to the agreement, the stockholders of Jiangsu Xuefeng agreed to irrevocably entrust Baichuang to designate a qualified person acceptable under PRC law and foreign investment policies, all of the equity interests in Jiangsu Xuefeng held by each of the stockholders of Jiangsu Xuefeng.

Share Pledge Agreement: Pursuant to the agreement, each of the stockholders of Jiangsu Xuefeng pledged their shares to Baichuang to secure their obligations under the Exclusive Technical Service and Business Consulting Agreement. In addition, the stockholders of Jiangsu Xuefeng agreed not to transfer, sell, pledge, dispose of or create any encumbrance on their interests in Jiangsu Xuefeng that would affect Baichuang's interests.

Call Option Agreement: Pursuant to the agreement, Baichuang has an exclusive option to purchase, or to designate a purchaser, to the extent permitted by PRC law and foreign investment policies, all of the equity interests in Jiangsu Xuefeng held by each of the stockholders of Jiangsu Xuefeng. To the extent permitted by PRC laws, the purchase price for the entire equity interest is approximately \$0.16 (RMB1.00) or the minimum amount required by the PRC law or government practice.

***JIANGSU XUEFENG ENVIRONMENTAL
PROTECTION SCIENCE AND TECHNOLOGY CO.,
LTD.***

**Financial Statements for the
Years Ended May 31, 2012 and 2011**

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- A. REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
- B. To the Board of Directors and Stockholders

Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd.

We have audited the accompanying balance sheets of Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (“Jiangsu Xuefeng”) as of May 31, 2012 and 2011, and the related statements of operations and other comprehensive income, changes in stockholders’ equity and cash flows for the years then ended. These financial statements are the responsibility of Jiangsu Xuefeng’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jiangsu Xuefeng’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentations. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. as of May 31, 2012 and 2011, and the results of its operation and its cash flows for each of the two years in the period ended May 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

Wei Wei & Co., LLP
New York, New York
August 8, 2012

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
BALANCE SHEETS**

ASSETS	May 31, 2012	May 31, 2011
	(U.S. \$)	(U.S. \$)
Current assets:		
Cash	\$ 4,120,811	\$ 4,635,232
Loan to related party	-	18,808
Prepaid expenses	5,870	5,738
Total current assets	<u>4,126,681</u>	<u>4,659,778</u>
Fixed assets, net	<u>27,365</u>	<u>2,906</u>
Other assets:		
Prepayment for acquisition of land use right	788,532	-
Deferred income taxes	2,632	27,262
Total other assets	<u>791,164</u>	<u>27,262</u>
TOTAL ASSETS	<u><u>\$ 4,945,210</u></u>	<u><u>\$ 4,689,946</u></u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
BALANCE SHEETS**

LIABILITIES AND STOCKHOLDERS' EQUITY	May 31, 2012	May 31, 2011
	(U.S. \$)	(U.S. \$)
Current liabilities:		
Accrued liabilities	\$ 81,321	\$ 832
Stockholders' equity:		
Registered capital	4,677,144	4,677,144
Accumulated deficit	(19,134)	(85,991)
Other comprehensive income	205,879	97,961
Total stockholders' equity	<u>4,863,889</u>	<u>4,689,114</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,945,210</u>	<u>\$ 4,689,946</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

	Year ended May 31,	
	2012	2011
	(U.S. \$)	(U.S. \$)
Revenue	\$ 314,248	\$ -
Cost of revenue	(21,495)	-
Gross profit	292,753	-
Operating expenses:		
Selling expenses	10,904	-
General and administrative expenses	195,848	50,234
Total operating expenses	206,752	50,234
Operating income (loss)	86,001	(50,234)
Other income:		
Interest income	6,018	2,399
Other	-	2,271
Total other income	6,018	4,670
Income (loss) before provision for income taxes	92,019	(45,564)
Provision for (benefit from) income taxes	25,162	(9,649)
Net income (loss)	66,857	(35,915)
Other comprehensive income:		
Foreign currency translation adjustment	107,918	87,613
Total comprehensive income	\$ 174,775	\$ 51,698

See accompanying notes to the financial statements.

JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND TECHNOLOGY CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2012 AND 2011
(U.S. \$)

	<u>Registered Capital</u>	<u>Accumulated Deficit</u>	<u>Other Comprehensive Income</u>	<u>Total Stockholders' Equity</u>
Balance, June 1, 2010	\$ 135,612	\$ (50,076)	\$ 10,348	\$ 95,884
Capital contributions	4,541,532	-	-	4,541,532
Net (loss)	-	(35,915)	-	(35,915)
Foreign currency translation adjustment	-	-	87,613	87,613
Balance, May 31, 2011	4,677,144	(85,991)	97,961	4,689,114
Net income	-	66,857	-	66,857
Foreign currency translation adjustment	-	-	107,918	107,918
Balance, May 31, 2012	<u>\$ 4,677,144</u>	<u>\$ (19,134)</u>	<u>\$ 205,879</u>	<u>\$ 4,863,889</u>

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
STATEMENTS OF CASH FLOWS**

	Year ended May 31,	
	2012	2011
	(U.S. \$)	(U.S. \$)
Cash flows from operating activities:		
Net income (loss)	\$ 66,857	\$ (35,915)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,355	53
Deferred income taxes	25,162	(9,649)
Changes in operating assets and liabilities:		
(Increase) in prepaid expenses	(132)	(5,738)
Increase in accrued liabilities	80,489	334
Net cash provided by (used in) operating activities	178,731	(50,915)
Cash flows from investing activities:		
Prepayment for acquisition of land use right	(785,620)	-
Purchase of equipment	(30,657)	(2,885)
Loan to related party	-	(75,119)
Repayments received from related party	19,169	56,311
Net cash (used in) investing activities	(797,108)	(21,693)
Cash flows from financing activities:		
Capital contributions	-	4,541,532
Net cash provided by financing activities	-	4,541,532
Effect of exchange rate changes on cash	103,956	86,411
Net change in cash	(514,421)	4,555,335
Cash, beginning	4,635,232	79,897
Cash, end	\$ 4,120,811	\$ 4,635,232
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

See accompanying notes to the financial statements.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

NOTE 1. ORGANIZATION

Jiangsu Xuefeng Environmental Protection Science and Technology Co., Ltd. (the “Company”) was incorporated under the laws of the People’s Republic of China (“PRC”) on December 14, 2007. Jiangsu Xuefeng is primarily engaged in providing improvement and upgrading services of garbage recycling processing technology and equipment. There has been only one sales transaction since Jiangsu Xuefeng’s formation through May 31, 2012.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

FOREIGN CURRENCY TRANSLATION

All Jiangsu Xuefeng assets are located in the PRC. The functional currency for the majority of Jiangsu Xuefeng’s operations is the Renminbi (“RMB”). Jiangsu Xuefeng uses the United States dollar (“US Dollar” or “US\$” or “\$”) for financial reporting purposes. The financial statements of Jiangsu Xuefeng have been translated into US dollars in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 830, “*Foreign Currency Matters.*” All asset and liability accounts have been translated using the exchange rate in effect at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transactions occurred. Statements of operations amounts have been translated using the average exchange rate for the periods presented. Adjustments resulting from the translation of Jiangsu Xuefeng’s financial statements are recorded as other comprehensive income.

The exchange rates used to translate amounts in RMB into US dollars for the purposes of preparing the financial statements are as follows:

	May 31, 2012	May 31, 2011
Balance sheet items, except for stockholders’ equity, as of year end	0.1577	0.1542
Amounts included in the statements of operations, statements of changes in stockholders’ equity and statements of cash flows for the year	0.1571	0.1502

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION (CONTINUED)

For years ended May 31, 2012 and 2011, foreign currency translation adjustments of \$107,918 and \$87,613 have been reported as other comprehensive income.

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US dollars at that rate or any other rate.

The value of the RMB against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of the RMB may materially affect Jiangsu Xuefeng's financial condition in terms of US dollar reporting.

REVENUE RECOGNITION

Jiangsu Xuefeng contemplates that revenues will primarily be derived from providing garbage recycling processing system technology support, renovation and upgrade services. Jiangsu Xuefeng's revenue recognition policies comply with FASB ASC 605 "*Revenue Recognition*." In general, Jiangsu Xuefeng recognizes revenue when there is persuasive evidence of an arrangement, the fee is fixed or determinable, the products or services have been delivered or performed and collectability of the resulting receivable is reasonably assured.

For the year ended May 31, 2012, sales relate solely to improvement and upgrading services provided to a garbage recycling processing system of an unrelated third party in accordance with a contract. The services were completed and accepted by the customer and the payment was received in full as of May 31, 2012. No warranty is provided by Jiangsu Xuefeng.

VULNERABILITY DUE TO OPERATIONS IN PRC

Jiangsu Xuefeng's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than twenty years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent, effective or continue.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *"Fair Value Measurements and Disclosures,"* specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that Jiangsu Xuefeng has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Jiangsu Xuefeng did not identify any assets or liabilities that are required to be presented at fair value on a recurring basis. Non-derivative financial instruments include cash, due from related party and accrued liabilities. As of May 31, 2012 and 2011, the carrying values of these financial instruments approximated their fair values due to the short term nature of these financial instruments.

CASH AND CASH EQUIVALENTS

Jiangsu Xuefeng considers all demand and time deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the contract amount after deduction of trade discounts, allowances, if any, and do not bear interest. The allowance for doubtful accounts, when necessary, is Jiangsu Xuefeng's best estimate of the amount of probable credit losses of accounts receivable. Jiangsu Xuefeng determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Jiangsu Xuefeng does not have any off-balance-sheet credit exposure related to its customers. As of May 31, 2012 and 2011, Jiangsu Xuefeng does not have any accounts receivable. For the years presented, Jiangsu Xuefeng did not write off any accounts receivable as bad debts.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.**
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS

Fixed assets are recorded at cost, less accumulated depreciation. Cost includes the prices paid to acquire the assets, and any expenditure that substantially increase the assets value or extends the useful life of an existing asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the periods benefited. Maintenance and repairs are generally expensed as incurred.

The estimated useful lives for fixed assets categories are as follows:

Computers and equipment	3 years
Fixtures and furniture	5 years

INCOME TAXES

Jiangsu Xuefeng accounts for income taxes in accordance with FASB ASC 740, "Income Taxes" ("ASC 740"), which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Deferred tax assets at May 31, 2012 and 2011 consisted entirely of the tax benefit of net operating losses that are available to offset future taxable income.

ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, Jiangsu Xuefeng may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position would be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions. As of May 31, 2012 and 2011, Jiangsu Xuefeng does not have a liability for any unrecognized tax benefits.

LEASES

Jiangsu Xuefeng leases office space under a one-year operating lease from an unrelated third party, expiring March 31, 2013. The lease requires Jiangsu Xuefeng to prepay the one year rental of RMB44,664 (US\$7,018). The related prepayments of \$5,870 and \$5,738 are included in the prepaid expenses on the balance sheets as of May 31, 2012 and 2011, respectively. The lease provides for renewal options. Rent expense charged to operations for the years ended May 31, 2012 and 2011 was \$7,018 and \$1,118, respectively.

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
TECHNOLOGY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING COSTS

Advertising costs are charged to operations when incurred. Jiangsu Xuefeng did not incur any advertising costs for the years ended May 31, 2012 and 2011.

STATUTORY RESERVE FUND

Pursuant to corporate law of the PRC, Jiangsu Xuefeng is required to transfer 10% of its net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of Jiangsu Xuefeng's registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after such issue is not less than 25% of the registered capital. For the years ended May 31, 2012 and 2011, Jiangsu Xuefeng was not required to fund the statutory reserve fund as Jiangsu Xuefeng has an accumulated deficit.

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-11, "*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*" ("ASU 2011-11"). The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. Jiangsu Xuefeng does not expect that the adoption of ASU 2011-11 will have a significant, if any, impact on Jiangsu Xuefeng's financial statements.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, "*Testing Goodwill for Impairment*" ("ASU No. 2011-08"), which allows entities to use a qualitative approach to test goodwill for impairment. ASU No. 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Jiangsu Xuefeng does not expect the adoption of the provisions of ASU No. 2011-08 to have a material impact on Jiangsu Xuefeng's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012 AND 2011**

NOTE 3. RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *“Presentation of Comprehensive Income”* (“ASU No. 2011-05”), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income (“OCI”) by eliminating the option to present components of OCI as part of the statement of changes in stockholders’ equity. The amendments in this standard require that all nonowner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, *“Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income”* (“ASU No. 2011-12”), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented.

The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. Jiangsu Xuefeng does not expect the adoption of the provisions of ASU No. 2011-08 to have a material impact on Jiangsu Xuefeng’s financial statements.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *“Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”* (“ASU No. 2011-04”), which amends current guidance to result in common fair value measurements and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs (Level 3 inputs, as defined in Note 2). The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011. Jiangsu Xuefeng does not believe that the adoption of the provisions of ASU No. 2011-04 will have a material impact on Jiangsu XUEfeng’s financial statements.

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NOTE 4. FIXED ASSETS

Fixed assets at May 31, 2012 and 2011 are summarized as follows:

	<u>2012</u> (U.S. \$)	<u>2011</u> (U.S. \$)
Computers and equipment	\$ 21,039	\$ 2,960
Fixtures and furniture	12,760	-
	<u>33,799</u>	<u>2,960</u>
Less: Accumulated depreciation	<u>(6,434)</u>	<u>(54)</u>
	<u>\$ 27,365</u>	<u>\$ 2,906</u>

For the years ended May 31, 2012 and 2011, depreciation expense amounted to \$6,355 and \$53, respectively.

NOTE 5. PREPAYMENT FOR ACQUISITION OF LAND USE RIGHT

On March 23, 2012, Jiangsu Xuefeng entered into an agreement with an independent third party to acquire a 50-year land use right for construction of a factory facility for cash consideration of US\$851,614, equivalent to RMB5,400,000, of which US\$788,532, equivalent to RMB5,000,000 was paid before May 31, 2012. As of May 31, 2012, the land use right had not been obtained and no certificate for the use of land had been issued to Jiangsu Xuefeng.

The agreement provides terms that under certain circumstances, such as delay in construction, Jiangsu Xuefeng may be subject to a penalty of up to 20% of the payment for the land use right, or forfeiture of the land use right.

NOTE 6. ACCRUED LIABILITIES

At May 31, 2012 and 2011, accrued liabilities consisted of the following:

	<u>2012</u> (U.S. \$)	<u>2011</u> (U.S. \$)
Payroll	\$ 10,995	\$ 832
Professional fees	70,000	-
Other	326	-
	<u>\$ 81,321</u>	<u>\$ 832</u>

**JIANGSU XUEFENG ENVIRONMENTAL PROTECTION SCIENCE AND
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NOTE 7. RELATED PARTY TRANSACTION

Jiangsu Xuefeng extended a 20-month non-interesting bearing loan on September 12, 2010 to Li Yuan, the controlling shareholder and Chairman of Jiangsu Xuefeng in the amount of \$75,119. Jiangsu Xuefeng received payment of \$56,311 in January 2011 and the remaining balance of \$18,808 was paid off in May 2012.

NOTE 8. INCOME TAXES

The provision for (benefit from) income taxes consisted of the following for the years ended May 31, 2012 and 2011:

	<u>2012</u> (U.S. \$)	<u>2011</u> (U.S. \$)
Current	\$ -	\$ -
Deferred	<u>25,162</u>	<u>(9,649)</u>
	<u>\$ 25,162</u>	<u>\$ (9,649)</u>

The following table reconciles the effective income tax rates with the statutory rates for the years ended May 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
As calculated at the statutory rate	25.00%	(25.00%)
Non-deductible expenses	<u>2.34%</u>	<u>3.82%</u>
Effective income tax rate	<u>27.34%</u>	<u>(21.18%)</u>

Jiangsu Xuefeng's tax filings are subject to examination by the tax authorities. The tax years 2007 to 2011 remain open to examination by tax authorities in the PRC.

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MAY 31, 2012 AND 2011**

NOTE 9. CONCENTRATION OF CREDIT RISK

Substantially all of Jiangsu Xuefeng's bank accounts are in banks located in the PRC and are not covered by protection similar to that provided by the FDIC on funds held in United States banks.

One customer accounted for the 100% of the sales for the year ended May 31, 2012.

Note 10. SUBSEQUENT EVENT

On August 5, 2012, Jiangsu Xuefeng obtained a patent on garbage recycling processing technology from Li Yuan, the controlling shareholder and Chairman of Jiangsu Xuefeng in the form of a capital contribution. As of the date of this report, Jiangsu Xuefeng is still in the process of obtaining an independent valuation of the fair value of the patent.

China Xuefeng Environmental Engineering Inc.
C214. Fitting Integration Building
Fazhan Road to Sugian Gate Section
Jiangsu Province, China

January 10, 2013

Via EDGAR

Attn: Ms. Pamela Long, Assistant Director
U.S. Securities and Exchange Commission
Washington, D.C. 20549-0302

Re: China Xuefeng Environmental Engineering Inc.
(formerly known as NYC Moda Inc.)
Form 8-K
Filed December 3, 2012
File No. 333-175483

Dear Ms. Long,

We hereby submit the responses of China Xuefeng Environmental Engineering Inc., formerly known as NYC Moda Inc. (the "Company") to the comments of the staff of the Division of Corporation Finance (the "Staff") contained in your letter, dated December 19, 2012, to Mr. Li Yuan of the Company with regard to the above-referenced Current Report on Form 8-K filed on December 3, 2012 ("Form 8-K").

For convenience of reference, each Staff comment contained in your letter is reprinted below in italics, numbered to correspond with the paragraph numbers assigned in your letter, and is followed by the corresponding response of the Company. Unless the context indicates otherwise, references in this letter to "we," "us" and "our" refer to the Company on a consolidated basis. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Form 8-k, as amended by the amendment(s).

In connection with the comment letter, we respectfully request the Staff to consider the following:

Emerging Growth Company Disclosure, page 2

1. *We note disclosure that you are an emerging growth company. We also note that the Form S-1, file number 333-175483, of NYC Moda Inc. went effective on December 7, 2011. Please supplemental tell us whether the first sale of your common stock occurred after December 8, 2011 pursuant to your effective Form S-1, file number 333-175483, or that the first sale of such stock has not yet occurred. See Section 101(d) of the Jumpstart Our Business Startups Act.*

Answer: The first sale of our common stock has occurred after December 8, 2011 pursuant to our effective Form S-1, file number 333-175483.

Item 2.01 Completion of Acquisition or Disposition of Assets, page 4

2. *Please revise this section to disclose the formula used to determine the amount of consideration. See Item 2.01(d) of Regulation S-K.*

Answer: We have revised the disclosure on page 4 to provide the information as requested above.

3. *Please revise to discuss whether you required board and shareholder approval to enter into the Share Exchange Agreement and how you obtained such approval.*

Answer: Our board of directors approved the Share Exchange Agreement on the closing date and we have revised the relevant disclosure on page 4.

Item 4.01, page 5

4. *Please include a letter from your former accountant indicating whether or not they agree with your disclosures.*

Answer: We have included the letter from our former accountant as required.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year, page 6

5. *We note disclosure that the name change and forward split are expected to be December 12, 2012. Please revise to update the effective date of the name change and forward stock split and disclose whether you have received approval of such name change and forward stock split by the Financial Industry Regulatory Authority.*

Both the Name Change and the Forward Split were approved by the Financial Industry Regulatory Authority (“FINRA”).
Answer: The Name Change went effective on December 14, 2012 while the Forward Split went effective on December 17, 2012. We have revised to update the disclosure throughout the amendment.

Form 10 Disclosure, page 7

Overview, page 9

6. *Please file with your next amendment your lease agreement with Li Yuan for the use of the Utility Model Patent of Comprehensive and Harmless Garbage Processing Equipment since this appears to be a material agreement. Please also clearly explain in greater detail the services provided to clients in exchange for the use of the patent technology.*

Answer: We have filed the Parent Licensing Services Agreement as Exhibit 10.10 to our amendment. We have also explained in greater detail the services provided to clients in exchange for the use of the patent technology on page 10.

Products and Facilities, page 10

7. *We note disclosure that Jiangsu Xuefeng’s main business is currently providing equipment upgrading service for other garbage processing plants. Please significantly revise this section to clearly explain in greater detail the business operations of Jiangsu Xuefeng. For example, please explain whether you are you providing software, mechanical or other services. Also, please clearly explain how you upgrade the garbage processing plants, the services provided by the patent licensing agreements and how you intend to obtain revenue from the patent licensing agreements.*

We have expanded our disclosure on page 10 under Products and Facilities regarding how we upgrade the garbage processing plants, the services provided by the patent licensing agreement and how we intend to obtain revenue from the patent licensing agreement.
Answer:

Risk Factors, page 17

8. *As a public company, your auditor is required by law to undergo regular Public Company Accounting Oversight Board (PCAOB) inspections to assess its compliance with U.S. law and professional standards in connection with its audits of financial statements filed with the SEC. The PCAOB, however, may be unable to inspect the audit work and practices of your auditor. As a result of this obstacle, investors in U.S. markets who rely on your auditor’s audit reports will be deprived of the benefits of PCAOB inspections of auditors. Therefore, please state this fact under a separate risk factor heading. Explain that the lack of inspections would prevent the PCAOB from regularly evaluating your auditor’s audits and its quality control procedures.*

Our auditor Wei Wei & Co., LLP is an U.S. based auditing firm with offices in New York and California. It is regularly inspected by the PCAOB and we do not believe the above referenced risk applies to our auditor. The result of our auditor’s inspection is available on the PCAOB website.
Answer:

Management’s Discussion and Analysis of Financial Condition and Results of Operations, page 29

9. *Please disclose the nature of your business activities prior to the first service agreement you entered into in April 2012. Also, please more fully describe the specific nature of the services you provide and whether you are required to provide any additional services after you are paid. Please better explain why your costs of revenues and operating costs are so low relative to total revenue. In this regard, please help us understand how you have ensured that all costs have been accrued and included and explain why there are no expenses for equipment or materials. Please explain how you are able to generate revenue given that your only assets are cash and a land deposit.*

Answer: We have expanded our disclosure on page 29 to provide the above required information.



10. *Given the significance of your cash balances, please disclose why you have not generated more interest income during the periods presented. Also, in light of the nominal interest income, please address why you continue to maintain significant cash balances.*

Answer: We have revised our disclosure on page 32 and 34 to address the above comments.

Recent Sales of Unregistered Securities, page 44

11. *Please revise to state the nature and aggregate consideration you received. See Item 701(c) of Regulation S-K.*

Answer: We have revised our disclosure on page 44 to state the nature and aggregate consideration we received.

Exhibits

12. *Please file all of the schedules to the Share Exchange Agreement with the next amendment.*

Answer: There are no other schedules to the Share Exchange Agreement other than the financial statements that filed as Exhibit 99.1 and 99.2.

13. *We note your disclosure that your PRC counsel has provided a legal opinion that the VIE Agreements are binding and enforceable under PRC law. Please file a copy of the opinion as an exhibit.*

Answer: We have filed a copy of the legal opinion as Exhibit from the PRC counsel regarding the validity and enforceability of the VIE Agreements under PRC law.

Exhibit 99.1

Report of Independent Registered Public Accounting Firm, page 1

14. *Please have your auditors revise their report to include a signature.*

Answer: We have re-filed Exhibit 99.1 to include a signature from our auditor on its report.

The Company acknowledges that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filing;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Sincerely,

China Xuefeng Environmental Engineering Inc.

By: /s/ Li Yuan

Name: Li Yuan

Title: Chief Executive Officer