

Baying Ecological Holding Group Inc.
Form 10-Q
November 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **September 30, 2017**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **000-51974**

BAYING ECOLOGICAL HOLDING GROUP, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation
or organization)

N/A

(I.R.S. Employer Identification No.)

850 Stephenson Highway, Suite 310, Troy, Michigan 90265

(Address of principal executive offices) (Zip Code)

(310) 887-6391

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(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|-------------------------|----|---------------------------|----|
| Large accelerated filer | .. | Accelerated filer | .. |
| Non-accelerated filer | .. | Smaller reporting company | x |
| | | Emerging growth company | .. |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. "

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at November 14, 2017 |
|--|----------------------------------|
| Common Stock, \$.001 par value per share | 260,983 |

BAYING ECOLOGICAL HOLDING GROUP, INC.

FORM 10-Q

FOR THE PERIOD ENDED SEPTEMBER 30, 2017

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Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Information included in this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). This information may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Baying Ecological Holding Group, Inc. (the “Company”), to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative of these words or other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that these projections included in these forward-looking statements will come to pass. Actual results of the Company could differ materially from those expressed or implied by the forward-looking statements as a result of various factors. Except as required by applicable laws, the Company has no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

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BAYING ECOLOGICAL HOLDING GROUP, INC
BALANCE SHEETS

| | September 30, | June 30, |
|---|----------------------|------------------|
| | 2017 | 2017 |
| Assets | | |
| Current Assets | | |
| Cash | \$ 5,995 | \$ 2,263 |
| Total Assets | 5,995 | 2,263 |
| Liabilities | | |
| Current Liabilities | | |
| Accrued expenses | 3,000 | 10,000 |
| Due to related parties | 181,711 | 162,947 |
| Total Current Liabilities | 184,711 | 172,947 |
| Total Liabilities | 184,711 | 172,947 |
| Commitment & Contingencies | - | - |
| Stockholders' Deficit | | |
| Common stock, par value \$0.001, Authorized 75,000,000; 260,983 issued and outstanding as of September 30, 2017 and June 30, 2017 | 261 | 261 |
| Additional paid-in capital | 1,009,713 | 1,009,713 |
| Deficit accumulated during development stage | (1,188,690) | (1,180,658) |
| Total Stockholders' Deficit | (178,716) | (170,684) |
| Total Liabilities and Stockholders' Deficit | \$ 5,995 | \$ 2,263 |

See accompanying notes to financial statements

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BAYING ECOLOGICAL HOLDING GROUP, INC
STATEMENTS OF OPERATIONS

| | For the Three Months Ended | |
|---|-----------------------------------|----------------------|
| | September 30, | September 30, |
| | 2017 | 2016 |
| Revenues | \$ - | \$ - |
| Operating Expenses | | |
| Professional fees | 3,500 | 2,700 |
| Management fees | 4,500 | 4,500 |
| General and administrative expenses | 32 | 95 |
| Total Operating Expenses | 8,032 | 7,295 |
| Loss from operations | (8,032) | (7,295) |
| Other Income (Expenses) | | |
| Other Income (Expenses) | - | - |
| Total Other Income (Expenses) | - | - |
| Net Loss before Income Taxes | (8,032) | (7,295) |
| Income Tax Benefit | - | - |
| Net Loss | \$ (8,032) | \$ (7,295) |
| Net Loss per Common Share - Basic and Diluted | \$ (0) | \$ (0) |
| Weighted Average Number of Common Shares Outstanding - Basic and Diluted | 260,983 | 260,983 |

See accompanying notes to financial statements

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BAYING ECOLOGICAL HOLDING GROUP, INC
STATEMENTS OF CASH FLOWS

For the Three Months Ended
September 30, September 30,
2017 2016

| | | |
|--|-----------------|-----------------|
| Cash Flows from Operating Activities | | |
| Net Loss | \$ (8,032) | \$ (7,295) |
| Adjustment to reconcile net loss from operations: | | |
| Contribution to additional paid-in capital | - | - |
| Changes in Operating Assets and Liabilities | | |
| Accrued expenses | (7,000) | (6,755) |
| Net Cash Used in Operating Activities | (15,032) | (14,050) |
| Cash Flows from Financing Activities | | |
| Proceeds from related parties | 18,764 | 14,385 |
| Net Cash Provided by Financing Activities | 18,764 | 14,385 |
| Net Increase (Decrease) in Cash | 3,732 | 335 |
| Cash at Beginning of Period | 2,263 | 1,978 |
| Cash at End of Period | \$ 5,995 | \$ 2,313 |
| Supplemental Cash Flow Information: | | |
| Income Taxes Paid | \$ - | \$ - |
| Interest Paid | \$ - | \$ - |

See accompanying notes to financial statements

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Baying Ecological Holding Group, Inc.

Notes to Financial Statements

September 30, 2017

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Baying Ecological Holding Group, Inc. was formerly Toro Ventures Inc., which was incorporated on April 11, 2005, under the laws of the State of Nevada. The Company was originally in the fast food services industry.

The Company changed its name on January 9, 2014 to better reflect its new business direction, of a holding company eventually with various entities being managed. The Company has been identifying and seeking potential corporate partnerships with walnut industry entities.

The Company's accounting year end is June 30.

NOTE 2 – GOING CONCERN

The Company's financial statements as of September 30, 2017 have been prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The Company has incurred significant losses and has no assets.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. These financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

Interim Financial Information

The accompanying condensed balance sheet as of September 30, 2017 which has been derived from the Company's audited financial statements as of that date, and the unaudited financial information of the Company as of September 30, 2017 and for the three months ended September 30, 2017, has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X.

In the opinion of management, such financial information includes all adjustments considered necessary for a fair presentation of the Company's financial position at such date and the operating results and cash flows for such periods. Operating results for the interim period ended September 30, 2017 are not necessarily indicative of the results that may be expected for the entire year. Certain information and footnote disclosure normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to the rules of the United States Securities and Exchange Commission ("SEC"). These unaudited financial statements should be read in conjunction with our audited financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2017 filed on October 12, 2017..

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Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates include estimated useful lives and potential impairment of property and equipment, estimate of fair value of share based payments and derivative instruments and recorded debt discount, valuation of deferred tax assets and valuation of in-kind contribution of services and interest.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Net Loss per Share

Net loss per common share is computed by dividing net loss by the weighted average common shares outstanding during the period as defined by Financial Accounting Standards, ASC Topic 260, "Earnings per Share". Basic earnings per common share ("EPS") calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding.

Business Segments

The Company operates in one segment and therefore segment information is not presented.

Revenue Recognition

The Company will recognize revenue on arrangements in accordance with FASB ASC No. 605, "Revenue Recognition". In all cases, revenue is recognized only when the price is fixed and determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

Fair Value of Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board ("FASB") ASC 820-10, "Fair Value Measurements", as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- Level 1 - quoted market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist of accounts payable. The carrying amount of the Company's financial instruments approximates their fair value as of September 30, 2017 and June 30, 2017, due to the short-term nature of these instruments.

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Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases which significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for the Company in the first quarter of fiscal 2020, and the Company is currently assessing the impact this standard will have on the Company's financial statements.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation – Stock Compensation," which identifies areas for simplification involving several aspects of accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 with early adoption permitted subject to certain requirements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017, which will be effective for the Company for the quarter ending December 31, 2018. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

The Company believes that there were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

NOTE 4 – RELATED PARTY TRANSACTION

Mr. Zhouping Jiao, director of the Company, have advanced working capital to pay expenses of the Company. The advances are due on demand and non-interest bearing. The outstanding amount due to related parties was \$181,711 and \$162,947 as of September 30, 2017 and June 30, 2017.

Mr. Parsh Patel, director and officer of the Company, provides various consulting and professional services to the Company for which he is compensated. The management fees were \$4,500 and \$4,500 for the three months ended September 30, 2017 and 2016, respectively.

NOTE 5 – STOCKHOLDERS' DEFICIT

The Company authorized 75,000,000 common shares with a par value of \$0.001.

On October 2015, Mr. Parsh Patel, CEO of the Company has advanced \$3,000 as working capital to pay expenses of the Company that was contributed as additional paid-in capital of the Company.

Table of Contents**NOTE 6 – INCOME TAXES**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary different amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax assets consist of the following:

| | September 30, 2017 | June 30, 2017 |
|--|-----------------------------------|--------------------------|
| NOL carryover | \$ 140,791 | \$ 139,586 |
| Less: Valuation allowance | (140,791) | (139,586) |
| Deferred tax assets, net of valuation allowance | \$ - | \$ - |

The reconciliation of the effective income tax rate to the federal statutory rate is as follows:

| | September 30, 2017 | June 30, 2017 |
|----------------------------------|-----------------------------------|--------------------------|
| Federal income tax rate | 15% | 15% |
| Less: Valuation allowance | (15)% | (15)% |
| Effective income tax rate | -% | -% |

At September 30, 2017, the Company had net operating loss carry forwards of approximately \$938,607 that may be offset against future taxable income to the year 2027. No tax benefit has been reported for the period ended September 30, 2017 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal Income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry forwards may be limited as to use in future years.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the filing date of these financial statements and has disclosed that there is no such event that are material to the financial statements to be disclosed.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this report, unless the context requires otherwise, references to the "Company", "Baying Ecological", "we", "us" and "our" are to Baying Ecological Holding Group, Inc.

CORPORATE HISTORY

We were incorporated pursuant to the laws of the State of Nevada on April 11, 2005 under the name Toro Ventures Inc. We were initially in the fast food services industry. In accordance with the terms and provisions of that certain stock purchase agreement dated December 31, 2013 (the "Stock Purchase Agreement") between Joe Arcaro, seller of control block of restricted shares of common stock of the Company and our sole officer and director ("Arcaro") and The World Financial Holdings Group Co., Ltd., purchaser of the control block of shares of ("World Financial"), there was a change in our control. Arcaro tendered his resignation as the sole member of the Board of Directors and our President/Chief Executive Officer, Secretary, Treasurer/Chief Financial Officer effective February 7, 2014. Effective February 7, 2014, the Board of Directors simultaneously appointed (i) Zhouping Jiao as the sole member of the Board of Directors and as the President/Chief Executive Officer and Treasurer/Chief Financial Officer of the Company; and (ii) Yuehong Yan as our Secretary. In light of the upcoming new business operations, effective May 1, 2014, Zhouping Jiao resigned as the sole member of the Board of Directors and as our President/Chief Executive Officer, Treasurer/Chief Financial Officer and Yuehong Yan resigned as our Secretary. Simultaneously, the Board of Directors effective May 1, 2014 appointed Parsh Patel as the sole member of the Board of Directors and as our President/Chief Executive Officer, Secretary, Treasurer/Chief Financial Officer.

Effective January 9, 2014, our Board of Directors and the majority shareholders approved an amendment to the articles of incorporation to change our name from "Toro Ventures Inc." to "Baying Ecological Holding Group Inc." (the "Name Change Amendment"). The Amendment was filed with the Secretary of State of Nevada on January 23, 2014 changing our name to "Baying Ecological Holding Group Inc." (the "Name Change"). The Name Change was effected to better reflect our future business operations.

OUR BUSINESS

Management believes that agriculture is one of the fastest growing investment areas of the 21st century and is posturing the Company to embark on building an industry leading presence as one of China's walnut conglomerates. Based on management's research, management further believes that in order to capitalize on the growth potential of the walnut market, we will need to revolutionize the industry by building a large scale, all-inclusive, standardized

industrial chain. Management intends to achieve this goal by fully utilizing a strong technical force and cultural awareness and heritage to build a strong marketing plan and achieve peak brand operational capability.

Management has been identifying and seeking potential corporate partnerships with the Yangling Modern Agricultural Standardization Institute, which provides an array of technical support for us, as well as Shaanxi Yuanwangda Venture Capital Co., Ltd. in an effort to continue our operational plans. We have been researching an industry-wide chain of production standards for China's entire walnut industry to full realize the development potential that will lead the industry. We intend to incorporate national policy regulations into every step of our business as well as eco-friendly, yet markedly efficient, methods to ensure the very best product is available to our consumers, while also securing the appropriate profit margins for our investors.

As of the date of this Quarterly Report, we intend to meet the following milestones to prepare ourselves for complete self-sufficiency and dominance throughout the walnut industry:

- Successful cultivation of large-scale, eco-efficient walnut reserves (including seed bases and harvesting techniques)
- Independent development of a specialized compound, biological fertilizer that fights the most common forms of walnut disease and create a barrier to prevent future infection
- Acquisition and retention of a top-tier production management team to ensure continued success and growth

Table of Contents**PRODUCTS AND SERVICES**

We intend to offer a high quality, new to market brand that encompasses expertly grafted walnut breeds including the American red spike-shaped walnut and premier fragrant walnuts. We have a focus on providing all of our customers with the absolute pinnacle of walnut perfection while also offering our VIPs the ecologically sound, organic products that are in such high demand with our upper-level clientele.

We intend to provide the following products and services:

| No. | Items | Individual Membership | Corporate Membership |
|-----|------------------------------------|-----------------------------------|---|
| | Pre-paid consumer credit (RMB) | 100--10,000 | 1,000--20,000 |
| 1 | Sales | Pre-paid to enjoy double discount | |
| 2 | Discount for special products | 15% off if paid by cash | Double discount for corporate credit card |
| 3 | Discount for consuming in the Club | 15% off if paid by cash | Double discount for corporate credit card |
| 4 | Discount for normal products | 10% off if paid by cash | Double discount for corporate credit card |
| 5 | Service fee for group buying | 1%--3% | |
| 6 | A variety of free workshop | 20 hours in total | |
| 7 | Annual fruit-picking | Not limited | |
| 8 | Group trips | Yes | |

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As special incentives to our long-term clients we will be prepared to offer the following programs through our retail location, the Baying Precious and Delicious Food Club:

- **Rechargeable Membership Cards:** We will offer a discount to our members that choose to pre-pay for their products using a membership card system.
- **Special Products:** Working in tandem with our cooperative business partners, we will be ready to offer our customers unique products only available through our collaboration.
- **Glamorous VIP Reception Center:** At our physical location we intend to feature a VIP tasting experience within our established reception center. Our members will have an opportunity to host guests as they enjoy sampling our offerings at a discount.
- **Superior Offerings:** With a focus on providing our clients with the very best walnuts and related products, we are committed to producing only the finest ecologically sound, organic products for our VIPs.
- **Group Discount Purchasing:** Our VIPs will have the opportunity to purchase products as a group, thereby taking advantage of a bulk discount.
- **Personal and Professional Development Opportunities:** The Fine and Delicious Food Club will be offering free lectures to our clients so as to expand their knowledge base about nutritional and dietary options, health related topics, finance and investment opportunities, as well as classic Chinese cultural studies.
- **Group Enrichment Trips and Annual Fruit Picking Opportunities:** The agricultural hubs of the Baying Company will be made available to our VIPs in an effort to offer true transparency to our top clients. We intend to also offer group trips, organized with both leisure and education in mind, as well as a family-friendly annual fruit picking trip that will cultivate not only an appreciation of the richness of our products, but also a holistic approach to a family's health and nutrition.

The Baying Precious & Delicious Food Club was an idea that has allowed us to directly reach our customers as we market our products to them. Specializing in selling high-quality and organic fruits, vegetables, cereals, and precious oils, we believe that this aspect of our corporate strategy will be a strong solidifier of profit and top-of-mind presence. In the end, the Club has nearly infinite profit making applications and as of now we are capitalizing on these: (i) membership card sales; (ii) direct profits from product sales; (iii) cooperation base supply; (iv) public media advertising revenue; and (v) website and periodical advertisement income.

We also intend on applying for and accepting subsidies from the following national organizations/branches of government to enrich our products and our production standards: (i) Department of Commerce: 'Rural Construction Development' project which is designed to assist companies with operations in rural areas who help serve local populations; (ii) Ministry of Agriculture: where the government provides subsidies for the construction of pollution-free base and food deep-processing factories countrywide; (iii) Development and Reform Commission:

subsidies from government for agricultural machinery equipment; (iv) The Provincial Labor Union; and(v) funds from SME Promotion Bureau.

As of the date of this Quarterly Report, we have offices located in Troy Michigan and in China on the 6th Floor of Huihao Building, off of 3rd Keji Road, in the heart of Xi'an city.

RESULTS OF OPERATIONS

The following discussions are based on our consolidated financial statements, including our subsidiaries. These charts and discussions summarize our financial statements for the three month ended September 30, 2017 and September 30, 2016 and should be read in conjunction with the financial statements, and notes thereto, included with our most recent Form 10-K for fiscal year ended June 30, 2017.

SUMMARY COMPARISON OF OPERATING RESULTS

Three Month

Period ended

September 30

| | 2017 | 2016 |
|-----------------------------|----------|----------|
| Operating Expenses | \$ 8,032 | \$ 7,295 |
| Other | -0- | -0- |
| Net Income (Loss) | (8,032) | (7,295) |
| Net Income (Loss) Per Share | (0.0) | (0.0) |

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Three Month Period Ended September 30, 2017 Compared to Three Month Period Ended September 30, 2016.

Our net loss for the three month period ended September 30, 2017 was (\$8,032) compared to a net loss of (\$7,295) during the three month period ended September 30, 2016 (an increase of \$737). We did not generate any revenues during the three month periods ended September 30, 2017 or September 30, 2016, respectively.

During the three month period ended September 30, 2017, we incurred operating expenses of \$8,032 (2016: \$7,295). These operating expenses incurred during the three month period ended September 30, 2017 consisted of: (i) management fees of \$4,500 (2016: \$4,500); (ii) professional fees of \$3,500 (2017: \$2,700); and (iii) general and administrative expenses of \$32 (2016: \$95).

Thus, our operating loss during the three month period ended September 30, 2017 was \$8,032 compared to \$7,295 during the three month period ended September 30, 2016.

During the three month periods ended September 30, 2017 and September 30, 2016, respectively, we did not record any other income or expenses.

Therefore, our net loss was (\$8,032) or (\$0.00) for the three month period ended September 30, 2017 compared to a net loss of (\$7,295) or (\$0.00) during the three month period ended September 30, 2016. The weighted average number of shares outstanding was 260,983 for the three month periods ended September 30, 2017 and September 30, 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Three Month Period Ended September 30, 2017

As at the three month period ended September 30, 2017, our current assets were \$5,995 and our current liabilities were \$184,711, which resulted in a working capital deficit of \$178,716. As at fiscal year ended June 30, 2017, our current assets were \$2,263 and our current liabilities were \$172,947. The increase in current liabilities of \$11,764 was primarily due to the increase in amounts due to related parties of \$18,764 and in accrued expenses of \$7,000. Mr. Zhouping Jiao, one of our directors, has advanced working capital to pay our expenses. The advances are due on

demand and non-interest bearing. The outstanding amount due to related parties was \$181,711 and \$162,947 as of September 30, 2017 and June 30, 2017, respectively.

Mr. Parsh Patel, one of our directors and sole executive officer, provides various consulting and professional services to us for which he is compensated. The management fees were \$4,500 and \$4,500 for the three months ended September 30, 2017 and 2016, respectively.

Stockholders' deficit increased from (\$170,684) for fiscal year ended June 30, 2017 to (\$178,716) for the three month period ended September 30, 2017.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the three month period ended September 30, 2017, net cash flows used in operating activities was \$15,032 (2016: \$14,050). During the three month period ended September 30, 2017, net cash flows used in operating activities consisted primarily of a net loss of (\$8,032) (2016: (\$7,295)), which was changed by \$7,000 (2016: \$6,755) in accrued expenses.

Cash Flows from Investing Activities

For the three month periods ended September 30, 2017 and September 30, 2016, respectively, net cash flows used in investing activities was \$-0-.

Cash Flows from Financing Activities

We intend to finance our operations primarily from debt or the issuance of equity instruments. For the three month period ended September 30, 2017, net cash flows provided from financing activities was \$18,764 (2016: \$14,385) consisting of proceeds from related parties.

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PLAN OF OPERATION AND FUNDING

We have incurred losses for the past two fiscal years and had a net loss of \$8,032 at the three month period ended September 30, 2017. Management intends to finance our 2017/2018 operations primarily with the potential revenue from walnut product sales and any cash short falls will be addressed through equity or debt financing, if available. We will need to raise additional capital, both internally and externally, to cover cash shortfalls and to compete in our markets. Management believes we will require an additional \$1,200,000 in equity financing during the next 12 months to satisfy our cash requirements for operations and to facilitate our business plan.

These operating costs include cost of sales, general and administrative expenses, salaries and benefits and professional fees related to contracting personnel. If we cannot obtain financing to fund our operations in 2018, then we may be required to reduce our expenses and scale back our operations.

Going Concern

If we cannot obtain financing or generate sufficient revenue to fund our operations in 2018, then we may be required to reduce our expenses and scale back our operations. These factors raise substantial doubt of our ability to continue as a going concern. Footnote 2 to our financial statements provides additional explanation of Management's views on our status as a going concern. The audited financial statements contained in this Annual Report do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result should we be unable to continue as a going concern.

Our independent registered accounting firm included an explanatory paragraph June 30, 2017, in their reports on the accompanying financial statements for June 30, 2017 regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

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, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

CONTRACTUAL OBLIGATIONS

Mr. Zhouping Jiao, one of our directors, has advanced working capital to pay our expenses. The advances are due on demand and non-interest bearing. The outstanding amount due to related parties was \$181,711 and \$162,947 as of September 30, 2017 and June 30, 2017, respectively.

Mr. Parsh Patel, one of our directors and sole executive officer, provides various consulting and professional services to us for which he is compensated. The management fees were \$4,500 and \$4,500 for the three months ended September 30, 2017 and 2016, respectively. These fees remain unpaid and have accrued.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases which significantly changes the accounting for leases by requiring lessees to recognize assets and liabilities for leases greater than 12 months on their balance sheet. The lessor model stays substantially the same; however, there were modifications to conform lessor accounting with the lessee model, eliminate real estate specific guidance, further define certain lease and non-lease components, and change the definition of initial direct costs of leases requiring significantly more leasing related costs to be expensed upfront. ASU 2016-02 is effective for the Company in the first quarter of fiscal 2020, and the Company is currently assessing the impact this standard will have on the Company's financial statements.

In March 2016, the FASB issued ASU No. 2016-09 "Compensation – Stock Compensation," which identifies areas for simplification involving several aspects of accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 with early adoption permitted subject to certain requirements. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017, which will be effective for the Company for the quarter ending December 31, 2018. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its consolidated financial position, results of operations and liquidity.

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The Company believes that there were no other accounting standards recently issued that had or are expected to have a material impact on our financial position or results of operations.

We have implemented all new accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer/Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2017. Based on such evaluation, we have concluded that, as of such date, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer/Principal Financial Officer, as appropriate, to allow timely discussions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining internal control over financial reporting for our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting

and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over our financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions .
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion or improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSD) in *Internal-Control-Integrated Framework* and implemented a process to monitor and assess both the design and operating effectiveness of our internal controls. Based on this assessment, management believes that as of December 31, 2016, our internal control over financial reporting was not effective.

We have instituted a remediation plan which involves reeducating our management, the accounting staff, and the administrative staff as to the elements of a completed sale. We increased the oversight of the process by increasing the frequency of involvement of outside accounting consultants. Internal systems are being put into place to track and document significant dates, such as delivery, installation and customer acceptance. In addition, the bookkeeping system has been modified so that all sales of extended warranties are automatically recorded as deferred revenue and that the amount of revenue that is ultimately recognized as warranty revenue is as the result of an analysis of the significant aspects of the warranty such as coverage and period.

Changes in Internal Control Over Financial Reporting

Our management has evaluated, with the participation of our Chief Executive Officer/Chief Financial Officer, changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the first quarter ended September 30, 2017. In connection with such evaluation, there have been no changes to our internal control over financial reporting that occurred since the beginning of our first quarter of 2017 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. While there have been no changes, we have assessed our internal controls as being deficient and will be taking steps during 2017 to remedy such deficiencies.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None.

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The following exhibits are filed as part of this Form 10-Q:

| Exhibit Number | Description |
|-----------------------|--|
| (3) | (i) Articles of Incorporation; and (ii) Bylaws |
| <u>3.1</u> | <u>Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).</u> |
| <u>3.2</u> | <u>Bylaws (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).</u> |
| (10) | Material Contracts |
| <u>10.1</u> | <u>Master Franchise Agreement (incorporated by reference from our Registration Statement on Form SB-2, filed on August 15, 2005).</u> |
| <u>10.2</u> | <u>Turnkey Agreement between our Company and Nitro Petroleum, Inc. (incorporated by reference from our Current Report on Form 8-K filed on April 4, 2008).</u> |
| <u>10.3</u> | <u>Employment Agreement between Baying Ecological Holding Group Inc. (incorporated by reference from Current Report on Form 8-K filed on July 31, 2014).</u> |
| (14) | Code of Ethics |
| <u>14.1</u> | <u>Code of Ethics (incorporated by reference from our Annual Report on Form 10-KSB filed on September 26, 2008).</u> |
| (31) | Rule 13a-14(a)/15d-14(a) Certifications |
| <u>31.1*</u> | <u>Section 302 Certification under Sarbanes-Oxley Act of 2002</u> |
| (32) | Section 1350 Certifications |
| <u>32.1*</u> | <u>Section 906 Certification under Sarbanes-Oxley Act of 2002</u> |

* Filed herewith.

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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 thereunto duly authorized.

**BAYING ECOLOGICAL HOLDING
GROUP, INC.**

Date: November 14, 2017

By: */s/ Parsh Patel*

Parsh Patel
President/Chief Executive Officer

(Principal executive officer,
principal financial officer, and
principal accounting officer)