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

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED MAY 31, 2014

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _________ to __________

Commission File Number 0-54205

HUAYUE ELECTRONICS, INC.
(Name of Registrant in its Charter)

Delaware	20-2188353
(State of Other Jurisdiction of incorporation or organization)	(I.R.S.) Employer I.D. No.)

51 Huilingxi Road, Zhouhuizheng, Wujin District
Changzhou, Jiangsu Province, P.R. China 213022
(Address of Principal Executive Offices)

Issuer's Telephone Number: 86-519-83630688

Securities Registered Pursuant to Section 12(b) of the Exchange Act: NONE

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

COMMON STOCK, $0.001 PAR VALUE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 406 of the Securities Act. Yes __ No √

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No √

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 √ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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_

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

As of November 30, 2013, the last day of the registrant’s most recent fiscal second quarter, the aggregate market value of the common stock held by non-affiliates was $34,284,090 based upon the closing sale price on November 30, 2013 of $2.70 per share.

As of September 15, 2014, there were 31,327,741 shares of common stock outstanding.

Documents incorporated by reference: NO

PART I

FORWARD-LOOKING STATEMENTS: NO ASSURANCES INTENDED

In addition to historical information, this Annual Report contains forward-looking statements, which are generally identifiable by use of the words "believes," "expects," "intends," "anticipates," "plans to," "estimates," "projects," or similar expressions. These forward-looking statements represent Management's belief as to the future of Huayue Electronics, Inc. Whether those beliefs become reality will depend on many factors that are not under Management's control. Many risks and uncertainties exist that could cause actual results to differ materially from those reflected in these forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Section 1A of this Report, entitled "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements.

ITEM 1. BUSINESS

Huayue Electronics, Inc. is a Delaware corporation that, through a subsidiary, owns all of the registered capital of Changzhou Huayue Electronic Co., Ltd. ("Changzhou Huayue"). Changzhou Huayue was organized in 1999 under the laws of the People's Republic of China ("PRC"). Changzhou Huayue is engaged in the businesses of developing, producing and selling two major product lines:

- energy efficient lights including high frequency induction lights and LED lights; and
- electrolytic capacitors.

While revenues in fiscal year 2014 (which ended on May 31, 2014) were split approximately 87% - 13% between these business lines, we anticipate that our future growth will be derived primarily from the lighting business.

History of Changzhou Huayue

Changzhou Huayue was founded in November, 1999 as a corporation under the laws of the PRC by Mr. Shudong Pan. Initially, Changzhou Huayue was engaged in the business of developing, producing and selling electrolytic capacitors. In 2008, Changzhou Huayue's management team decided to expand the company's activities by entering the business of producing and selling high frequency induction lights. Towards this end, Changzhou Huayue leased and outfitted a production facility in Changzhou in 2009.

Following its entry into the induction lighting business, Changzhou Huayue obtained the required PRC government certificates and a patent for induction lamps in March, 2009. During the first half of 2010, the company met certification requirements for compliance with international and European Community standards. Changzhou Huayue participated in the drafting of three of the PRC National Induction Lighting Efficiency Standards and acted as the principal drafter of two of them. China's Standardization Administration finally approved three induction standards in late 2012, which means all regulated corporations and government entities can now procure induction lighting from listed companies. Changzhou Huayue, as one of the principle drafters, was listed on all three and ranked number 1 on one of them.

In 2011, Changzhou Huayue added a full line of LED products to further meet global lighting demand.

History of Lighting

Both LED lights and high frequency induction lights represent the fourth generation of lighting products. The first three generations were incandescent lights, fluorescent lamps and energy-saving lights:

- The incandescent light bulb, invented by Thomas Edison in 1879, creates light by heating a filament inside the tube. The heat makes the filament white hot, producing visible light. Because light is created through heat, about 90% of the energy these lamps produce is in the form of heat or infrared radiation.

- In the early 20 th Century, conventional fluorescent lights were patented. In these lamps, mercury vapor or another type of gas in the tube, when excited by an electrode, produces invisible ultraviolet light. These light waves hit the white powder coating on the inside of the tube, called phosphors, which then produces white visible light. This method of producing light is more energy efficient than incandescent lighting, producing only about 30% of the heat.

- Energy-saving lamps, such as compact fluorescent lights, were developed to replace standard incandescent bulbs, producing the same amount of light with reduced power use and cost. However, the presence of electrodes in conventional fluorescent lights imposes many restrictions on lamp design and performance and limits lamp life

In contrast to traditional lamps, induction lights and LED lights involve neither filaments nor electrodes, and no electrical connection goes on inside the glass tube. Instead, for induction lights, energy is transferred through the glass tube solely by electromagnetic induction. Power to create the light is transferred from outside the glass tube by means of a magnetic field. As with a conventional fluorescent lamp, the power excites mercury or a mercury alloy, producing ultraviolet light which hits the phosphors resulting in visible light.

“LED” is the acronym for light emitting diode, the element of LED lighting that transforms electric current into light. Engineers create diodes by pairing a negatively charged semiconductor. When electric power is connected to the diode, the semiconductors are forced into imbalance and release light as electrons jump to a different energy level.

Types of Induction Lamps and Our Edge

There are two basic types of induction lights: external induction lamps and internal induction lamps. In an external induction lamp, electromagnets are wrapped around a part of the tube. The tube contains mercury atoms which are provided by a pellet of mercury amalgam. High frequency energy from the ballast is sent through wires which are wrapped in a coil around a ferrite inductor. This creates a powerful magnetic force, which excites the mercury atoms. As with the other forms of fluorescent lighting, the mercury emits ultraviolet light which hits the phosphors and produces visible light.

Internal induction lamps resemble incandescent lights in shape. The bulb contains inert gas, a pellet from a mercury amalgam or alloy, phosphors coating the interior, and a glass tube extending from bottom of the bulb to form a cavity. This test tube-like cavity contains an induction coil wound around a ferrite shaft. The inductor is excited by high frequency electric power from an external ballast. This causes a magnetic field to penetrate the glass and excite the mercury atoms, which emit ultraviolet light. These waves are converted to visible light by the phosphor coating.

The induction technology developed by Huayue enables us to make all our induction lamps internal. There are no stand-alone power components attached. In addition, we have achieved universal adaptability in our induction lamps, so customers can simply replace conventional bulbs without changing any part of their electric system.

Huayue LED lights and Our Edge

The development of LED lighting by Changzhou Huayue was premised on our expectation that the global cost of diodes will decline as demand widens, so that competition in the LED marketplace will be based on the ability of the lamp manufacturer to efficiently assemble high quality lamps. Our research and development efforts, therefore, were focused on techniques to reduce manufacturing cost while maintaining product quality. Changzhou Huayue is not a manufacture of the actual light emitting diodes; but our experience in the capacitor industry has provided us the relationships that allow us to purchase high quality diodes at competitive prices. We incorporate these diodes into our proprietary product design to achieve a balance of high quality and low cost.

Advantages of LED and Induction Lighting

LED lamps and high frequency induction lamps have a number of advantages over other types of lighting:

- **Longer Life Span.** Electrodes in incandescent and conventional fluorescent lamps decay, producing less light over time, and are generally the limiting factor in the lives of the light. The average life span of a traditional lamp is no more than one year. By avoiding the use of electrodes, induction lamps and LED lamps can have life spans of up to 60,000 hours. As a result, we are able to offer five year warranties on our products. The extended life reduces the frequency and cost of replacement. It also makes our lamps particularly suitable for locations or structures where servicing and light replacement are difficult.

- **High Luminous Efficiency.** Electrodes in incandescent or conventional fluorescent lighting give rise to power loss and place limits on the gas pressure and its composition. These restrictions do not apply to electrodeless LED and induction lighting. As a result, the power rating and light output of the lamps can be significantly increased.

- **Quick Start.** Both LED and induction lights can be started or restarted without pre-heating. Only a low current is necessary to initiate operation. This enables the size of the distribution box to be reduced, lowering the installation cost. Their quick start-up makes both technologies particularly well suited for emergency lighting.

- **Automatic Brightness Adjustment.** All our products can be designed to incorporate programmable smart cards, which can adjust the level of brightness based on such factors as the time of day or the level of natural light. The lamps can function at any point down to 30% of their capacity, providing significant flexibility.

- **Ballast Efficiency.** High frequency ballasts operate at around 98% efficiency while 10-15% of the energy is wasted by the ballast in traditional lighting designs. As a result¸ our ballasts reduce energy demand and the related pollution.

- **Energy Efficiency.** Both technologies can save as much as 75% of the energy that would be used in conventional fluorescent lamps.

- **Environmentally Friendly.** Induction lights use amalgams (mercury alloys) instead of liquid mercury. This difference reduces the amount of pollution that occurs from the disposal of the lamps. LED lamps do not contain mercury.

- **High Lighting Quality.** Because they operate at a high frequency, induction lights do not produce glare and do not flicker. This makes them ideal for use in the workplace, avoiding those lighting effects that can cause migraines. LEDs also emit steady light, producing a very limited amount of flickering under steady current.

Our Applications

Changzhou Huayue, as of 2014, is targeting the commercial/industrial sector with its induction products. Followings are some of our applications:

- **High Bay Lighting.** Factories with high ceilings often require that the surface brightness of the lighting source be lowered to an indoor natural lighting level. Induction lamps provide a bright, but more pleasant, lighting source than traditional forms of lighting in these plants. Where they have been installed, the accident rate has gone down and less energy is consumed. For these reasons, Chinese factories are increasingly using induction lamps.

- **Roadway Lighting.** Induction lamps are well suited for the lighting of roadways, particularly in locations where maintenance is difficult. For example, the Nanpu Bridge lighting project used induction lamps, which resulted in a 34% reduction in cost from the original lamps.

- **Lighting in Tunnels.** Because of their lack of glare, quick start, ability to automatically adjust brightness, and lower maintenance cost, induction lamps are used in over 100 tunnels in the PRC, such as the Shanghai Waitan Tunnel and all the tunnels on the Wuhan-Guangzhou high-speed railway.

- **Lighting for Public Facilities.** The ability to adjust the brightness level through programmable smart cards makes induction lamps highly attractive for use in outdoor public locations. Our LED products are particular popular for indoor lighting projects such as public library, hospital and schools.

Marketing of our LED products is focused on the domestic and home office sector. Huayue is now actively looking for retail channel both domestically and internationally that will target home/office owners. We believe that LED products will be the engine for our international growth, as our ability to provide quality products at a highly competitive price should permit the Company to penetrate the global market aggressively.

Energy Efficient Lighting: Competition

The global market for lighting products is dominated by very large multi-national corporations headquartered outside of the PRC, such as Philips, Osram (a subsidiary of Seimens) and General Electric. We believe that, to date, these companies have not made induction lighting a priority. The market for LED lights, on the other hand, is highly competitive as Philips, in particular, has made this market a priority. We believe that Huayue will be able to compete in this market as the cost-effective design of our products will provide us significant price advantages. In addition, our technological advances are protected by 88 patents issued in the PRC. Nevertheless, the multi-national giants have many times the resources of Changzhou Huayue; so the competitive situation could be daunting.

For induction lighting, we also have numerous domestic competitors in the market for induction lighting. Most of these companies have targeted the low power segment, as opposed to the high frequency products that are Changzhou Huayue's focus. We believe that those competitors that have attempted to develop high power induction lighting have encountered serious problems, including low research productivity, unsophisticated product design, unstable quality control, and limited product applicability.

Huayue believes it has significant competitive advantages over these local enterprises. Along with having our technology protected by international patents, our products benefit from representing high quality at a low cost. The incorporation of smart cards into our lamps provides constant power control and the ability to automatically adjust brightness. We have the facilities to mass produce 300 watt induction lamps with long lives that do not require frequent maintenance, as demonstrated by our warranties.

We also have substantial equity in our brand name. Our electrolytic capacitors achieved widespread domestic popularity and became internationally known through their export to ten countries. Since our entry into the efficient lighting market, we have won a number of awards and have been appointed to serve important industry functions by the PRC government.

Huayue further believes that it derives a meaningful distribution and transportation advantages from its location in a central area for lighting companies in the town of Zouqu in Changzhou City. Changzhou City is located in the "Yangtze River Golden Triangle" within drivable distance from two of the PRC's largest cities, Shanghai and Nanjing. In addition, the Shanghai-Nanjing Railway, the Shanghai-Nanjing highway and the Beijing-Hangzhou Grand Canal run through the city of Changzhou.

Marketing and Distribution

Huayue believes that the annual market demand for all types of industrial lighting in China is 400 billion Chinese Renminbi ("RMB"), or $62.7 billion, with the lighting of public facilities and high bays accounting for 300 billion RMB of this amount and the remaining 100 billion RMB relating to the lighting of private property. Huayue has targeted the former segment of this market. The market for induction lighting in the PRC has been estimated to be as large as 100 billion RMB. Our entry into the international market will further expand our sales potential.

We recently changed our domestic distribution strategy for induction lights. Prior to fiscal 2012 our target market for lighting products had been end users, to whom our in-house sales staff marketed directly. During fiscal 2012 we added an emphasis on developing customer relationships with regional distributors of lighting products and construction materials. Our sales transactions with distributors are not significantly different than our sales transactions with end users: none of our distributors has been given an exclusive territory, their purchases are based on the same price list as we give to end users, and our revenue recognition policies are the same for each type of sale. However, the relationship with distributors provides us a cost-effective way of expanding the scope of our marketing.

A growing aspect of our lighting business is our participation in energy management contracts ("EMC"). In this business model, energy efficient equipment is sold to an end user on a payment plan designed to net no cost to the customer: payments by the customer are scheduled to conform to the savings realized from use of the energy efficient equipment. Changzhou Huayue offers this option to customers directly as well as to contractors as part of a broader EMC program. Although an EMC sale results in significantly longer payment terms than a conventional net-90 days sale, profit margins on EMC sales are far higher than on conventional sales, as customers are much less price-resistant in the EMC model.

Historically, Changzhou Huayue had exported its electrolytic capacitors and related products to the United States, Europe and other countries in Asia, creating global brand awareness. For our induction lighting products, we have been securing the government approvals necessary to engage in export, and are currently in the process of negotiating terms with prospective international sales agents. Our plan is to price our products sold internationally at a 20% premium to our domestic sales, in order to provide a margin for adverse currency movements. In addition, once we receive approval for international marketing, we will be eligible to purchase receivables insurance that the Chinese government offers for eligible offshore sales. Besides significantly reducing the risk of international sales, the government insurance facilitates receivables financing, which is generally difficult in China.

Induction Lighting: Involvement of the PRC Government

Changzhou Huayue has enjoyed the support of the PRC government. Leaders within the government as well as specialists from such entities as the Policy Research Center of the Communist Party of China and the Economic Research Office of the State Council visited our site and reviewed our technology in early 2010. That same year, a group of experts recommended that the induction lighting industry and its technology be further developed as a matter of public policy. As a result, the PRC government designated induction lamps as high-efficiency products that would be eligible for preferential policies and subsidies. Among the benefits that we have received from the government's favorable attitude toward induction lighting are the following:

- Having qualified for the Chinese government's incentive program to promote innovation in technology, Changzhou Huayue currently enjoys a 15% income tax rate (reduced from the standard 25% corporate income tax rate) until November 2014, at which time we will be eligible to apply for an extension.

- The national government's policy favoring the use of induction lighting has expanded the market for our products.

In cooperation with several of our customers who serve as contractors on projects funded by various governmental ministries and commissions, we have installed induction lamps on the Shengli Oilfield and the Shanghai Middle Ring Highway, and are working on the installation of induction lamps as a part of such projects as Beijing International Airport, Petro China, SinoPec and Saicgroup. Huayue believes that these projects will improve awareness of our brands and expand our market share.

Electrolytic Capacitors

Changzhou Huayue's historic business has been the development, manufacture and sale of electrolytic capacitors. This business contributed approximately 80% of our revenues in the year ended May 31, 2010, 44% of our revenue in the year ended May 31, 2011, and 38% of our revenue in the year ended May 3,1 2012. This number has further declined to 27% and 13% as our revenue from efficient lighting increase in the years ended May 31, 2013 and 2014, respectively. We manufacture the electrolytic capacitors in the same facility in Changzhou as the induction lamps, but in a different workshop. We distribute our capacitors through both domestic retailers in the PRC and international trading companies. Strong sales and performance of this product line in the past have created good will for Changzhou Huayue and established a global brand.

Competition in the market for electrolytic capacitors has been particularly intense in recent years. A number of firms have entered the industry, many of which are larger and have technology superior to that of Changzhou Huayue. We have responded by targeting the lower end of the market where we remain competitive on the basis of price, name recognition, and the dependence of clients who have purchased our capacitors in the past. However, given these difficult competitive conditions and the increasing cost of labor, we have determined, as a strategic matter, not to make significant additional investments in this area. Moreover, the technology is fairly developed and only 5% of our product development expenditures over the past three years have related to this business.

Raw Materials and Our Suppliers

In connection with our induction lighting business, we purchase glass shells, high temperature cables, power supplies, mercury amalgam, and aluminum blocks. The key supplies purchased for our electrolytic capacitors are positive and negative foil.

During fiscal year 2014 and 2013, we significantly revamped our purchasing policies. Management diversified its purchase of raw materials to include a variety of suppliers, including Anhui Tianchangxinlong , Zhongshan Leiyou, Changzhou Ruiqi Electronics, Yangzhou Ruike, and Jiangsu Baoying. As a result, there was no reliance on any specific supplier for more than 16% of our purchases during the fiscal years ended May 31, 2014 and 2013.

Our Customers

Throughout our history, the bulk of our annual sales have been made to a few major customers. However, with the growth in our lighting business, the degree of concentration in our customer list has declined.

For the 2013 fiscal year, there were two significant accounts which together produced 30% of our revenue. These were project-based contracts in Yinchuan and with Muyang Holding Ltd. We do not anticipate any significant future sales to these same customers.

For the 2014 fiscal year, there were two significant accounts which together produced 12% of our revenue. These were energy saving management contracts with Changzhou Gaoke Property Management Co. and with Guiyang Gaoke Holding Co. We do not anticipate any significant future sales to these same customers.

Intellectual Property

We have proprietary rights with respect to our technology. We are currently operating with 110 patents and have 15 new applications pending. We believe that the breadth of description of our patents gives us significant protection.

Changzhou Huayue also uses holds registered trademarks for its LED, induction lamp and electrolytic capacitor businesses.

Insurance

Changzhou Huayue maintains the insurance required by the PRC Labor and Social Security Law. That law mandates that we contribute an amount equal to a percentage of our payroll to several multi-employer welfare programs. The aggregate contribution is approximately 25% of payroll. As a result, as our business expands and our payroll increases, our contributions to these programs will increase proportionately.

In addition, we insured certain property against accidents in our commercial insurance policy. The total annual premium on this policy is 308,936 RMB or approximately $50,000.

Environmental Considerations

Induction lamps, such as those manufactured by Changzhou Huayue, are considered to be highly environmentally friendly and preferable to induction and fluorescent lights on environmental grounds. Because of their longer life spans, induction lamps need to be discarded much less frequently. Moreover, the solid mercury amalgam used in induction lamps can be disposed of with reasonable efforts and does not produce either water or ground pollution. The Company was in compliance with local environmental laws and regulations for the fiscal 2014 and 2013.

Employees

We currently have a total of 106 employees. Of the overall total, 25 employees are in management. 13 employees specialize in research and development and a team of 30 employees are devoted to sales. The remainder of our employees are in production.

ITEM 1A. RISK FACTORS

Investing in our common stock involves risk. You should carefully consider the risks described below together with all of the other information contained in this Report, including the financial statements and the related notes, before deciding whether to purchase any shares of our common stock. If any of the following risks occurs, our business, financial condition or operating results could materially suffer. In that event, the trading price of our common stock could decline and you may lose all or part of your investment.

The market for energy efficient lights is highly competitive, which could adversely affect our sales and financial condition.

Several major multi-national enterprises dominate the global market for lighting. These competitors are much larger than we are and have substantially greater financial resources that allow them to be in a better position to withstand changes in the industry. Many also have been in the business for a longer period of time and have greater accumulated experience and higher global name recognition. In addition, our existing competitors may introduce new products based on alternative technologies that may cause us to lose customers which would result in a decline in our sales volume and earnings. It is also likely that new competitors will enter the lighting market in China. These entities may broaden or enhance their offerings to provide a product similar to ours or to compete more effectively with our products. While we currently have advantages over our competitors in certain limited portions of the Chinese market for energy efficient lighting, there can be no assurance we will be able to maintain these advantages over time. The effort necessary to compete effectively - funding acquisitions, hiring new employees, broadening sales efforts and incurring the other costs of marketing expansion - will increase expenses and thus adversely affect our margins. Costs incurred in research and development may also increase. Competition could cause us to lose market share, or increase expenditures or reduce pricing, each of which would have an adverse effect on the results of our operations, cash flows and financial condition.

We have been actively engaged in the energy efficient lighting business, the anticipated source of the enterprise's growth, only since 2009. Unless we effectively manage our growth, we may not be profitable.

Although Changzhou Huayue was founded in 1999, until 2009 we were engaged solely in the electrolytic capacitor business, a business that is substantially unrelated to our lighting operations. While we have met with initial success in the development, production and sales of energy efficient lamps, there can be no assurance that this will lead to positive financial results in the future. Management also anticipates a major expansion of the operations carried on by Changzhou Huayue. To achieve the objectives in our business plan, we must hire and train additional personnel and will require new equipment, facilities, information technology and other infrastructure resources. We do not know if we will be able to expand our business rapidly enough or adequately manage this growth. If we do not accurately predict demand for our products, we may have too much or too little production capacity. If growth is not effectively managed, it may have a substantial negative impact on our operations and profitability. Also, improvement may be needed in operational, financial and management controls and our reporting systems and procedures. The complexity of, and intense competition in, this business will cause us to face many challenges, some of which are not foreseeable. If an ongoing source of financing is not available, the ability to continue ongoing operations could be compromised.

Our expansion into the international market will require capital investment, which may result in dilution of the equity of our present shareholders or significantly increased borrowing costs.

Our business plan contemplates that we will expand our sales both domestically and internationally. To achieve that aim, we will need capital. So our business plan contemplates that we will raise $30 million in capital during the next two years in order to build a new production and sales distribution center and implement our growth strategy. We intend to raise all or a large portion of the necessary funds by selling equity in our company. At present we have no commitment from any source for those funds. We cannot determine, therefore, the terms on which we will be able to raise the necessary amounts. It is possible that we will be required to dilute the value of our current shareholders' equity in order to obtain the funds. On the other hand, if we are forced to borrow these amounts, our cost of capital will significantly increase. But if we are unable to raise the necessary funds, our growth will be limited, as will our ability to compete effectively.

The nature of our receivables and the unavailability of receivables financing in China will restrict our cash flows, and may interfere with our ability to fund growth.

Our standard arrangement with customers requires payment for sales 90 days after delivery. In many situations, however, we afford customers much longer to pay. For example, when we provide lamps to contractors working on government construction projects, we respect the government practice of paying only after the entire project is inspected by requiring payment 90 days after actual installation of the lamps. In addition, a growing portion of our business involves entering into energy management contracts with customers or participating in energy management contracts written by contractors, under which the customer is not required to pay until cost savings from the energy efficient lamps are realized. In these and similar circumstances, our collection of receivables will take place over an extended period of time. In the meantime, however, the current efforts of China's government to restrict bank lending and control monetary expansion prevent us from financing our receivables. As a result, in many cases our cash resources must be used to pay ongoing expenses before the cash revenue arising from those expenses is collected. This situation limits our cash resources and may, in turn, limit our growth and prevent us from taking advantage of opportunities for expansion and market penetration that present themselves.

Changes in technology could make our products obsolete or uneconomic.

Our proprietary technology for energy efficient induction lamps is a key competitive advantage for us. Certain aspects of our lamps are protected by patents in the PRC. However, new developments in the field of lighting are occurring at a rapid pace, and there can be no assurance that such development will not give rise to a different type of lamp that is superior to those offered by Changzhou Huayue. To the extent that our competitors can take advantage of new technologies, competition in the market for lighting will increase and our revenues could decline.

Our inability to protect our trademarks, patent and trade secrets may prevent us from successfully marketing our products and competing effectively.

Failure to protect our intellectual property could harm our brands and our reputation, and adversely affect our ability to compete effectively. Further, enforcing or defending our intellectual property rights, including our trademarks, patents, copyrights and trade secrets, could result in the expenditure of significant financial and managerial resources. We produce, market and sell our products under the brand "Huayue" using a number of trademarks that we have registered. We cannot provide any assurance that trademark protection will provide adequate protection for our brands. We regard our intellectual property, particularly our trademarks and trade secrets, to be of considerable value and importance to our business and our success. We rely on a combination of trademark, patent, and trade secrecy laws, and contractual provisions to protect our intellectual property rights. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, trade secrets or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us, and we may have to pursue litigation against other parties to assert our rights. Any such claim or litigation could be costly and we may lack the resources required to defend against such claims. In addition, any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse effect on our ability to market or sell our brands, and profitably exploit our products.

We currently benefit from the support of the PRC government and would be adversely affected were the government to change its view.

The PRC government provides Changzhou Huayue with the benefits of preferential policies. Among the benefits that have had a direct impact on our financial results are grants for technology development and favorable tax rates. Of perhaps even more importance to our overall financial results is the fact that induction lamps are on the government procurement list and the national government has expressed a policy favoring the use of induction lamps in government funded construction projects. Projects initiated by government ministries and commissions have increased the demand for our products. If the government were to change its position on the induction lighting industry in general, or Changzhou Huayue specifically, it would have a material adverse effect on the company.

Our electrolytic capacitor business operates at a disadvantage to certain competitors, and we have not make substantial new investments in this activity, making it highly unlikely that it will generate any meaningful growth in the future.

The market for electrolytic capacitors in the PRC is highly competitive, and the product is mature. We regard it as a sunset business. 40 of our employees work in this area, and workforce turnover and increased labor costs are significant problems. Certain of our competitors have advantages in technology and economies of scale. We have targeted the lower end of the market, where we can continue to compete, but have not, and will not, devote significant additional resources to this business, either for research and development or new facilities. We hope to maintain the absolute levels of revenue and profit of the electrolytic capacitor business, but do not view it as a source of future growth.

We may have difficulty establishing adequate management and financial controls in the PRC.

The PRC has only recently begun to adopt the management and financial reporting concepts and practices that investors in the United States are familiar with. This is a significant change for Huayue's management. We currently do not have employees who have the experience necessary to implement the kind of management and financial controls that are expected of a U. S. public company and may have difficulty hiring and retaining such employees in the PRC. If we cannot establish such controls, we may experience difficulty in collecting financial data and preparing financial statements, books of account and corporate records and instituting business practices that meet U.S. standards.

General economic conditions in the PRC, including difficult credit and construction markets, affect demand for our products.

The success of our future sales efforts will to an extent depend on the positive momentum of the Chinese economy and the strength of Chinese public entities and enterprises. Recent actions by the governmental authorities indicate a desire to slow the acceleration of the economy. Also, many observers are predicting a significant drop in commercial real estate prices, which would have a material negative impact on the overall economy. A significant economic slowdown or, more importantly, a recession could substantially hinder our efforts to implement our business plan.

Currency fluctuations may adversely affect our operating results.

Changzhou Huayue generates revenues and incurs expenses and liabilities in RMB. However, Huayue will report its consolidated financial results in the United States in U.S. Dollars. As a result, our financial results will be subject to the effects of exchange rate fluctuations between these currencies. From time to time, the PRC government may take action to stimulate the Chinese economy that will have the effect of reducing the value of the RMB. In addition, international currency markets may cause significant adjustments to occur in the value of the RMB. Any such events that result in a devaluation of the RMB versus the U.S. Dollar will have an adverse effect on our reported results. We have not entered into agreements or purchased instruments to hedge our exchange rate risks.

Capital outflow policies in China may hamper our ability to pay dividends to shareholders in the United States.

The PRC has adopted currency and capital transfer regulations. These regulations require that we comply with complex regulations for the movement of capital. Although PRC governmental policies were introduced in 1996 to allow the convertibility of RMB into foreign currency for current account items, conversion of RMB into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange. We may be unable to obtain all of the required conversion approvals necessary for our operations, and the PRC regulatory authorities may impose greater restrictions on the convertibility of the RMB in the future. Because most of our future revenues will be in RMB, any inability to obtain the requisite approvals or any future restrictions on currency exchanges will limit our ability to pay dividends to our shareholders.

We cannot determine whether, under the EIT Law, we may be classified as a "resident enterprise" of China. Such classification would likely result in unfavorable tax consequences to us and our non-PRC stockholders. Our inability to make the determination will subject our shareholders to uncertainty regarding whether sale of their shares will subject them to taxation in China.

Under the New Income Tax ("EIT") 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% 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. Because we lack guidance regarding how the PRC tax authorities will interpret and apply the EIT Law, our management has determined that it will not make a decision as to whether Huayue Electronics is a resident enterprise for PRC enterprise income tax purposes unless and until we either plan to remit funds from our Chinese subsidiary to its Delaware shareholder or we plan to pay dividends to the shareholders of our U.S. parent corporation. In either situation, our determination would be based on interpretations of the EIT Law prevailing at that time.

If the PRC tax authorities determine that Huayue Electronics is 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. This would mean that any non-China source income would be subject to PRC enterprise income tax at a rate of 25%, the same rate applied to corporate income earned within China. Currently, however, we have no non-China source income.

- Second, although under the EIT Law and its implementing rules dividends paid to our non-PRC subsidiary 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. Currently, neither our U.S. parent corporation nor our Delaware subsidiary has any significant cash resources or liquid assets. Unless and until our U.S. parent corporation obtains funds from the sale of securities, the funds required to operate our U.S. parent corporation and our Delaware subsidiary must be obtained either from loans by related parties or by dividends paid by our PRC subsidiary. Imposition of a withholding tax on such dividends could interfere with our ability to finance the operations of our U.S. parent and Delaware subsidiary.

- Third, it is possible that future guidance issued with respect to the new "resident enterprise" classification could result in a situation in which the PRC will attempt to impose a 10% withholding tax on dividends that Huayue Electronics pays to our non-PRC stockholders.

- Finally, it is possible that resident enterprise classification could result in the PRC seeking to tax any gains derived by our non-PRC stockholders from transferring their shares in our company. Although most of our non-PRC shareholders would not be subject to the jurisdiction of the PRC tax authorities, the uncertainty regarding whether they may be liable to pay such a tax could be a burden for some of our shareholders, particularly those who have business or other interests in the PRC.

We have limited business insurance coverage.

The insurance industry in the PRC is still at an early stage of development. Insurance companies in China offer limited business insurance products. Chinese insurance companies do not, to our knowledge, offer business liability insurance. Other than coverage for certain accidents, we do not have general business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

Because our funds are held in banks which do not provide insurance, the failure of any bank in which we deposit our funds could affect our ability to continue in business.

Banks and other financial institutions in the PRC do not provide insurance for funds held on deposit. As a result, in the event of a bank failure, we may not have access to funds on deposit. Depending upon the amount of money we maintain in a bank that fails, our inability to have access to our cash could impair our operations, and, if we are not able to access funds to pay our suppliers, employees and other creditors, we may be unable to continue in business.

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

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. Circular 75 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. 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.

Failure to comply with the U S. Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences **.**

As our ultimate holding company is a U.S. corporation, we are subject to the U.S. 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. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur from time-to-time in the PRC. We can make no assurance, however, 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.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

We conduct substantially all of our business through our operating subsidiaries in the PRC. Our operating subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes, and prior court decisions may be cited for reference but have limited precedential value. Since 1979, a series of new PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

We are a Delaware holding company and most of our assets are located outside of the United States. All of our current operations are conducted in the PRC. In addition, all of our directors and officers are nationals and residents of the PRC. All of the assets of these persons is located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, who are not residents in the United States and the substantial majority of whose assets are located outside of the United States. In addition, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts. Courts in China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. China does not have any treaties or other arrangements that provide for the reciprocal recognition and enforcement of foreign judgments with the United States. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates basic principles of PRC law or national sovereignty, security or the public interest. So it is uncertain whether a PRC court would enforce a judgment rendered by a court in the United States.

The Company is not likely to hold annual shareholder meetings in the next few years.

Management does not expect to hold annual meetings of shareholders in the next few years, due to the expense involved. The current members of the Board of Directors were appointed to that position by the previous directors. If other directors are added to the Board in the future, it is likely that the current directors will appoint them. As a result, the Company’s shareholders will have no effective means of exercising control over its operations.

Our common stock is subject to penny stock rules.

Our common stock is subject to Rule 15g-1 through 15g-9 under the Exchange Act, the SEC regulations for “penny stocks.” Penny stocks include any equity security that is not listed on a national exchange and has a market price of less than $5.00 per share, subject to certain exceptions. The regulations impose certain sales practice requirements on broker-dealers which sell penny stock to persons other than established customers and “accredited investors” (generally, individuals with a net worth in excess of $1,000,000 or an annual incomes exceeding $200,000 (or $300,000 together with their spouses)). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. In addition, prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule defined by the SEC relating to the penny stock market must be delivered to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for the common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These rules adversely affect the ability of broker-dealers to sell penny stock, and may adversely affect the market liquidity of our common stock if it becomes subject to the penny stock rules.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. DESCRIPTION OF PROPERTY

Changzhou Huayue produces both its induction lamps and electrolytic capacitors at a facility in Changzhou City. This factory has a production base of 15,000 square meters and is owned by the Company.

We expect that our current facilities will be adequate for our operations for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

Our common stock is currently listed for quotation on the OTCQB Market under the symbol "HUAY." The following table sets forth for the respective periods indicated the prices of the common stock, as reported by the OTCQB Market. Such prices are based on inter-dealer bid and asked prices, without markup, markdown, commissions, or adjustments and may not represent actual transactions.

	Bid	
Quarter Ending	High	Low
August 31, 2012	$ 2.80	$ 1.25
November 30, 2012	$ 3.01	$ 2.80
February 28, 2013	$ 3.15	$ 2.00
May 31, 2013	$ 3.00	$ .70
August 31, 2013	$ 3.00	$ 2.70
November 30, 2013	$ 2.70	$ 2.70
February 28, 2014	$ 2.70	$ 2.70
May 31, 2014	$ 2.00	$ 1.75

(b) Shareholders

On September 14, 2014, there were approximately 439 holders of record of our common stock.

(c) Dividends

Since the Company's incorporation, no dividends have been paid on our Common Stock. We intend to retain any earnings for use in our business activities, so it is not expected that any dividends on our common stock will be declared and paid in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

The information set forth in the table below regarding equity compensation plans (which include individual compensation arrangements) was determined as of May 31, 2014.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future is suance under equity compensation plans
Equity compensation plans approved by security holders	0	N.A.	0
Equity compensation plans not approved by security holders	0	N.A.	0
Total.	0	N.A.	0

(e) Sale of Unregistered Securities

Huayue Electronics did not effect any unregistered sales of equity securities during the fourth quarter of the fiscal year ended May 31, 2014.

(f) Repurchase of Equity Securities

Huayue Electronics, Inc. did not repurchase any of its equity securities that were registered under Section 12 of the Securities Act during the fourth quarter of the fiscal year ended May 31, 2014.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Results of Operations

The following data is derived from the Company's Consolidated Statements of Income and Comprehensive Income for the years ended May 31, 2014 and 2013:

	For The Years Ended May 31,			
	2014	2013	Change	Percentage Change
Net sales	$ 12,239,726	$ 14,326,370	(2,086,644)	-15%
Cost of goods sold	6,568,911	8,785,610	(2,216,699)	-25%
Gross profit	**5,670,815**	**5,540,760**	130,055	2%
Gross Profit Margin %	46%	39%	8%	
Selling expenses	58,037	36,660	21,377	58%
General and administrative expenses	1,500,862	717,292	783,570	109%
Income from operations	**4,111,916**	**4,786,808**	(674,892)	-14%
Interest income (expense)	(112,951)	(263,670)	150,719	-57%
Other income (expenses)	249,778	83,619	166,159	199%
Income before income taxes	**4,248,743**	**4,606,757**	(358,014)	-8%
Income taxes	(637,311)	(849,473)	212,162	-25%
Net income	**$ 3,611,432**	**$ 3,757,284**	(145,852)	-4%
Basic and diluted earning per common share	$ 0.12	$ 0.12	-	0%

Sales

Since 2009 the Company's operations have gradually refocused from an exclusive involvement in the manufacture and sale of electrolytic capacitors to a primary focus on the sale of energy efficient lighting products. The continuation of this refocusing during fiscal year 2014 is demonstrated in the following comparison of sales by product for year ended May 31, 2014 and the year ended May 31, 2013:

	For The Years Ended May 31,					
Product Category	**2014**	**% of total sales of 2014**	**2013**	**% of total sales of 2013**	**Change**	**Percentage Change**
Electrolytic capacitors	$ 1,558,383	13%	$ 3,915,661	27%	(2,357,278)	-60%
Induction lighting						
Sales from products only	8,305,359	68%	4,376,041	31%	3,929,318	90%
Sales from products with installation	-	0%	6,034,668	42%	(6,034,668)	-100%
Sales from energy management contracts	2,375,984	19%	-	0%	2,375,984	100%
Total	$ 12,239,726	100%	$ 14,326,370	100%	(2,086,644)	-15%

As the table indicates, our traditional capacitor business decreased 60% in revenue. At the same time, however, our energy efficient lighting business recorded a 3% increase in fiscal 2014 compared to fiscal 2013. The primary causes of the increase were:

- Late in fiscal 2012 we introduced our line of LED products, which expanded our target market from the government/commercial market we target with induction lighting to include the retail and home office market for which LED lighting is most appropriate. In fiscal 2014, LED products produced most of our lighting revenues.

- In the middle of fiscal 2012, we changed our distribution strategy, moving from direct sales to the development of regional sales agents. The use of sales agents to market our products has yielded consecutive and steady progress.

At the same time, however, changes in the nature of our sales structure have slowed the pace of growth of our lighting business. During fiscal 2013, we offered installation service to commercial customers when they purchased lighting from us. The revenue from these sales and installation packages were attributable to three major customers, who accounted for more than 42% of our total sales in fiscal year 2013. However, we did not generate revenue from similar business in fiscal year 2014. Instead, in 2014 our focus has been on marketing of energy management contracts ("EMC"). During fiscal 2014, we received revenue of $2.38 million from EMCs. We expect more revenue will be generated from EMC contracts in the future. However, the revenue that we realize from EMCs is spread over the life of the contract. Therefore EMC sales do not grow revenue as rapidly as product and installation sales that dominated our business in fiscal 2013.

We expect our lighting sales to continue to grow in fiscal 2015 and beyond. The principal factors that will contribute to the future growth of lighting sales will be:

- Our domestic distribution network continues to grow, particularly for the sale of LED lights, a massive market that we have only recently begun to penetrate.

- We are in the final stages of securing an international distribution network and the governmental approvals necessary for international sales. We expect international sales to yield a significant portion of our revenue in fiscal 2015.

- A small but growing portion of our lighting sales are now made in connection with an energy management contract (“EMC”). The EMC extends the payment term for the sale over the period when energy savings will allow the customer to recoup the cost of the lighting. The EMC, therefore, delays our revenue recognition, but allows us to demand very high margins on EMC sales. We have entered into a number of EMC contracts during fiscal 2014, and we expect more EMC will be signed in future periods.

- Our engineers continue to enhance our existing products and develop new lighting products, each of which opens a new submarket for us.

Gross Profit

The profitability of our sales increased significantly in fiscal 2014, during which we achieved a gross margin of 46% compared to 39% gross margin recorded in fiscal 2013. The primary reason for the increase was that in fiscal 2014, our new EMC program yielded a relatively high gross margin, up to 82% on some contracts, as customers are willing to pay higher prices for lighting when assured that the cost will be offset by energy savings. Since 19% of total revenue was attributable to EMC sales during the fiscal year 2014, the high profitability of EMC sales pushed our overall gross margins higher comparing to fiscal year 2013.

Gross profit for the year ended May 31, 2014 is $5.67 million, comparing to $5.54 million recorded in fiscal year 2013.

Operating Expenses

Total operating expenses for the fiscal year ended May 31, 2014 were $1,558,899, an increase of $804,947 or 107%, from $753,952 recorded in fiscal year ended May 31, 2013. The primary reason for the increase was an allowance of $761,933 that we recorded in fiscal 2014 for bad debt expense related to accounts receivable and advance to vendors. Among the methods that the Company utilized to evaluate the collectability of its receivables is an aging schedule. Provision for doubtful accounts was increased in fiscal 2014 comparing to fiscal 2013 for both accounts receivable and advances to suppliers due to the increased balance of accounts receivable and advances aged over one year.

General and administrative expenses will continue to increase in the coming year, as we assume the obligations attendant to being a U.S. public company, including legal and accounting expenses and other expenses related to the nurturing of our new shareholder base.

Net Income

As a result of our significant increase of G&A expenses, our income from operations decreased from $4,786,808 in the fiscal year ended May 31, 2013 to $4,111,916 in the fiscal year ended May 31, 2014.

Until recently, the expansion of our business was funded primarily by short-term loans. As discussed in "Liquidity and Capital Resources" below, our cash flow has in most years been slowed by the relatively lengthy period required to collect many of our receivables. To fill the gaps in our cash flow, we required debt financing. Interest expense, therefore, has historically represented a significant reduction in our net income. As of May 31, 2014, however, we have short term loans of $2,960,474 comparing to the total of short term loans and bank notes of $4,687,626 as of May 31, 2013. As a result, our interest expense for the fiscal year ended May 31, 2014 was $187,298 compared to interest expense of $258,392 in fiscal 2013.

Although the corporate income tax rate in China is 25%, through November 2014 our Chinese subsidiary will be the beneficiary of a 15% tax rate afforded to high-tech companies in their growth stage. For that reason, our income tax burden for the fiscal year ended May 31, 2014 was $637,311, resulting in net income of $3,611,432 ($.12 per share), compared to net income of $3,757,284 ($.12 per share) recorded in fiscal 2013.

Our business operates primarily in Chinese Renminbi ("RMB"), but we report our results in our SEC filings in U.S. Dollars. The conversion of our accounts from RMB to Dollars will result in translation adjustments. While our net income will be added to the retained earnings on our balance sheet, the translation adjustments will be added to a line item labeled "accumulated other comprehensive income," since they will be more reflective of changes in the relative values of U.S. and PRC currencies than the success of our business. Due to the deprecation of U.S. Dollars against RMB, an "other comprehensive loss" of $183,993 was recorded during fiscal 2014 compared to an "other comprehensive income" of $209,066 during fiscal 2013.

Liquidity and Capital Resources

Until recently the operations of the Company had been funded by contributions and short-term loans from our founder, Mr. Shudong Pan, and his family. In recent periods, however, we have developed bank lending relationships, which are now our primary source of liquidity. Today, our current liabilities are in large part made up of short term debt payable to Chinese banks. Most of these debts have been guaranteed by related entities or secured by property owned by related parties. The proceeds of these loans have been utilized primarily to finance the development of our lighting business and the expanded sales effort for the new LED lighting products.

As of May 31, 2014, short-term loans accounted for 29% of the current liabilities, compared to short-term loans and notes accounted for 63% of current liabilities as of May 31, 2013. The balance has decreased to $2,960,474 as of May 31, 2014 compared to $4,687,626 at May 31, 2013.

As is common in China, all of our bank borrowing is done on a short-term basis. As a result, the entire amount of $2,960,474 that we owed to lending institutions at May 31, 2014 has been classified as short-term debt, although we have every reason to believe that the institutions will replace the loans as they come due.

The largest component of our current assets is our accounts receivable. Accounts receivable of $5,753,108 as of May 31, 2014 is largely relative to recent revenue. In our efforts to achieve a substantial beachhead in the induction lighting market, after we are assured that the customer has the capability and intent to make payment, we offer our customers relatively generous payment terms. Our standard payment terms are 90 days after delivery. However, for particularly attractive customers, with strong credit histories, we apply a variety of payment practices:

- While the Company’s standard payment policy is 90 days, in many cases the Company has offered customers payment terms beyond 90 days.

- The Company recognizes that Chinese government bureaucracies often pay for construction only when an entire project is complete and has been inspected. The Company, therefore, has special payment terms that it often provides to government contractors, in which payment is due 90 days after the actual installation of the lighting products on the jobsite.

Our generous payment terms reduce our liquidity to some extent. The practice is harmful to our cash flow, particularly in light of the requirement that we prepay many of our vendors for raw materials and components, as discussed below. The practice can also be damaging to our operating results. For example, an increase of $641,390 in our allowance for bad debts was recorded during fiscal 2014. But our generous payment terms do help us develop long-term, repeat customers.

The other large non-cash component of our current assets was our advances to supplies. In China, to secure a guaranteed supply of raw materials and components, it is common practice to make prepayments to your principal suppliers, often to the extent of several months’ requirements. In addition, rather than providing Changzhou Huayue with a line of credit, the Company’s banks pay Changzhou Huayue’s vendors directly, which makes prepayment for raw materials and components a method of assuring that credit is available when needed. As of May 31, 2014, we have a balance of advance to vendors of $288,183.

Our new EMC program produced another large non-cash component of current assets, as well as a significant other asset. When we sign an electricity management contract with a customer and deliver and install the purchased lighting, we recognize revenue in our statements of income over the life of the contract - generally one to two years, although EMCs may extend up to five years. The present value of the lease payments, net of costs, is recorded on our balance sheets as an “investment in sales type lease.” At May 31, 2014, we had $2,184,168 in assets from EMC, allocated between current and non-current assets of $1,000,168 and $1,184,000, respectively.

During fiscal 2014, cash provided from operating activities was $5,770,579 compared to cash used in operating activities of $3,942,313 for the fiscal 2013. Cash flow increased despite the reduction in net income due primarily to a $2.6 million increase in our accounts payable and accrued expenses, a $1.0 million increase in our taxes payable, and the fact that our net income in the recent period was reduced by a non-cash provision for doubtful accounts totaling $781,796.

Cash used in investing activities was $5,560,286 during fiscal 2014 compared to $7,542,932 during fiscal 2013. In both cases the cash was used to purchase and equip our new factory for lighting production

Cash used in financing activities was $130,508 during fiscal 2014, as we used the proceeds from bank loans and related party loans to satisfy other bank loans and notes. During fiscal year 2013, our financing activities provided $3,721,932 in cash, as our principal shareholders made a $3 million capital contribution and purchased shares for an additional $3.2 million, which allowed us to reduce our short term bank loans by $4.0 million.

We believe our liquid assets and cash flow will be adequate to fund our working capital needs for the next twelve months. We are actively seeking for equity financing in US capital market to further expand our business, but have received no commitments for such financing at this time. If we are forced to finance our capital needs through the issuance of debt or long term borrowing, the interest rates we pay and our interest cost of financing would increase.

Critical Accounting Policies and Estimates

In preparing our financial statements we are required to formulate working policies regarding valuation of our assets and liabilities and to develop estimates of those values. In our preparation of the financial statements for the year ended May 31, 2014, there were two estimates made which were (a) subject to a high degree of uncertainty and (b) material to our results. These were:

- The determination, recorded Note 3 to our Financial Statements, to make an increase of $641,390 and $120,543 in our allowance for bad debt on Accounts Receivable and Advance to Suppliers, respectively.

- The determination, noted in Note 4 to our Financial Statements, that no allowance for impairment of inventory value was warranted at May 31, 2014. The determination was based on our review of the turnover in inventory and the likelihood of realization of the value of the inventory.

Impact of Accounting Pronouncements

There were no recent accounting pronouncements that have had a material effect on the Company’s financial position or results of operations.

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.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of:
Huayue Electronics, Inc.

We have audited the accompanying consolidated balance sheet of Huayue Electronics, Inc. (the “Company”) as of May 31, 2014, and the related consolidated statements of income and comprehensive income, stockholders’ equity, and cash flows for the fiscal year then ended. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 the Company’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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Huayue Electronics, Inc. as of May 31, 2014, and the consolidated results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KCCW Accountancy Corp.

Diamond Bar, California
September 15, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Huayue Electronics Inc

We have audited the accompanying consolidated balance sheet of Huayue Electronics Inc. as of May 31 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for year ended May 31, 2013. Huayue Electronics Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit 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 the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Huayue Electronics Inc. as of May 31 2013, and the results of its operations and its cash flows for the year ended May 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ Friedman LLP

Friedman LLP
New York, NY

August 28, 2013

Huayue Electronics Inc
Consolidated Balance Sheets
(In US Dollars)

	May 31, 2014	May 31, 2013
ASSETS		
CURRENT ASSETS		
Cash	$ 344,636	$ 269,065
Restricted cash	-	969,854
Accounts receivable, net	5,753,108	8,399,472
Other receivables	1,662,856	71,047
Inventory, net	1,972,209	940,328
Advances to suppliers	288,183	258,832
Investment in sales-type lease-current	1,000,168	-
Deferred tax assets	164,567	39,159
Total current assets	11,185,727	10,947,757
PROPERTY AND EQUIPMENT, net	12,740,996	8,001,633
OTHER ASSETS		
Investment in sales-type lease-non current	1,184,000	-
Deferred tax assets	34,486	-
Total other assets	1,218,486	-
TOTAL ASSETS	$ 25,145,209	$ 18,949,390
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short term bank loans	$ 2,960,474	$ 2,909,561
Notes payable	-	1,778,065
Accounts payable and accrued expenses	3,062,789	501,238
Taxes payable	2,940,416	1,976,952
Advances from customers	411,268	269,104
Deferred revenue-current	71,771	-
Due to related parties	592,095	-
Total current liabilities	10,038,813	7,434,920
LONG TERM LIABILITIES-DEFERRED REVENUE	164,487	-
TOTAL LIABILITIES	10,203,300	7,434,920
COMMITMENT AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $0.001 Par value; 60,000,000 shares authorized; 31,327,741 shares issued and outstanding	31,328	31,328
Additional paid in capital	6,866,352	6,866,352
Statutory Reserves	768,133	406,991
Accumulated other comprehensive income	114,447	298,440
Retained earnings	7,161,649	3,911,359
Total stockholders' equity	14,941,909	11,514,470
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 25,145,209	$ 18,949,390

Huayue Electronics Inc
Consolidated Statements of Income and Comprehensive Income
(In US Dollars)

	For the Fiscal Years Ended May 31,	
	2014	**2013**
Net sales	$ 12,239,726	$ 14,326,370
Cost of goods sold	6,568,911	8,785,610
Gross profit	**5,670,815**	**5,540,760**
Selling expenses	58,037	36,660
General and administrative expenses	1,500,862	717,292
Total expenses	**1,558,899**	**753,952**
Income from operations	**4,111,916**	**4,786,808**
Non-operating income (expenses):		
Interest income	(112,951)	(263,670)
Other expense	249,778	83,619
Total non-operating income (expenses)	**136,827**	**(180,051)**
Income before income taxes	**4,248,743**	**4,606,757**
Income tax provision (benefit)		
Current	800,712	849,473
Deferred	(163,401)	-
Total income tax provision	637,311	849,473
Net income	**3,611,432**	**3,757,284**
Other comprehensive income (loss) item		
Foreign currency translation gain (loss)	(183,993)	209,066
Comprehensive Income	**$ 3,427,439**	**$ 3,966,350**
Basic and diluted earnings per common share	**$ 0.12**	**$ 0.12**
Weighted average number of common shares	**31,327,741**	**30,727,083**

Huayue Electronics Inc
Consolidated Statements of Stockholders' Equity
(In US Dollars)

	Common stock		Additional paid-in capital	Statutory Reseves	Accumulated other comprehensive income	Retained earnings	Total
	Shares	Amount					
Balance at June 1, 2012	30,067,741	$ 30,068	$ 669,932	$ 31,263	$ 89,374	$ 529,803	$ 1,350,440
Common Stock issued	1,260,000	1,260	3,148,740	-	-	-	3,150,000
Capital contribution made by major shareholder	-	-	3,047,680	-	-	-	3,047,680
Net income for the year	-	-	-	-	-	3,757,284	3,757,284
Statutory reserve for current year's profit	-	-	-	375,728	-	(375,728)	-
Foreign currency translation gain	-	-	-	-	209,066	-	209,066
Balance at May 31, 2013	31,327,741	31,328	6,866,352	406,991	298,440	3,911,359	11,514,470
Net income for the year	-	-	-	-	-	3,611,432	3,611,432
Statutory reserve for current year's profit	-	-	-	361,142	-	(361,142)	-
Foreign currency translation loss	-	-	-	-	(183,993)	-	(183,993)
Balance at May 31, 2014	31,327,741	$ 31,328	$ 6,866,352	$ 768,133	$ 114,447	$ 7,161,649	$ 14,941,909

Huayue Electronics Inc
Consolidated Statements of Cash Flows
(In US Dollars)

	For the Fiscal Years Ended May 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,611,432	$ 3,757,284
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	647,257	230,908
Provision for doubtful accounts	781,796	224,035
Deferred tax benefit	(163,400)	-
Decrease (increase) in assets:		
Accounts receivable	1,955,555	(4,541,691)
Other receivable	(1,623,460)	1,016,446
Advances to suppliers	(157,770)	1,988,689
Inventory	(1,061,517)	1,074,214
Investment in sales-type lease	(2,226,605)	-
Increase (decrease) in current liabilities:		
Accounts payables and accrued expenses	2,616,432	(256,681)
Advances from customers	147,670	(443,845)
Taxes payable	1,002,341	1,699,894
Deferred revenue	240,848	(195,594)
Other payables	-	(611,346)
Net cash provided by operating activities	5,770,579	3,942,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment on equipment purchase	(5,560,286)	-
Deposit made for equipment purchase	-	(7,542,932)
Net cash used in investing activities	(5,560,286)	(7,542,932)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash released from bank notes	978,809	-
Repayments of bank notes	(1,794,483)	158,881
Proceeds from bank loans	4,159,937	(3,972,037)
Repayments of bank loans	(4,078,370)	-
Net proceeds from related parties loans	603,599	1,337,408
Proceeds from stock issuance		3,150,000
Capital contribution by major shareholder	-	3,047,680
Net cash (used in) provided by financing activities	(130,508)	3,721,932
EFFECT OF EXCHANGE RATE CHANGE ON CASH	(4,214)	9,012
NET INCREASE IN CASH	75,571	130,325
CASH - beginning of period	269,065	138,740
CASH - end of period	$ 344,636	$ 269,065
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Income tax paid	$ -	$ -
Interest paid	$ 187,298	$ 252,105

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Huayue Electronics, Inc. (“Huayue Electronics” or the “Company”) is the new name for HXT Holdings, Inc., effective on November 2, 2011. Huayue Electronics, Inc. was incorporated under the laws of the State of Delaware on January 13, 2005.

On September 2, 2011, Huayue Electronics acquired all of the outstanding capital stock of China Metal Holding, Inc. (“China Metal”), a privately owned corporation formed in the State of Delaware , United States of America, by merging HXT Acquisition Corp., a newly formed Delaware corporation that was wholly owned by the Company, into China Metal. China Metal is a holding company whose only asset, held through a subsidiary, is 100% of the registered capital of Changzhou Huayue Electronics Company, Limited (“Changzhou Huayue”), a limited liability company organized under the laws of the People’s Republic of China (“China” or “PRC”). Changzhou Huayue is engaged in developing, manufacturing and selling high frequency induction lights and electrolytic capacitors. Changzhou Huayue’s offices and manufacturing facilities are located in China.

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The financial statements reflect the financial position, results of operations and cash flows of the Company and its subsidiary, Changzhou Huayue Electronic Co., Ltd., as of May 31, 2014 and 2013 and for the fiscal years then ended.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, China Metal and Changzhou Huayue. All inter-company transactions and balances are eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Company’s consolidated financial statements include: the allowance for bad debt, the valuation of inventory, and estimated useful lives and impairment of property and equipment. Actual results could differ from those estimated by management.

Cash and cash equivalents

For purposes of the statement of cash flow, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All cash balances are in bank accounts in PRC and are not insured by the Federal Deposit Insurance Corporation or other programs.

Restricted Cash

Restricted cash represents required cash deposits as a part of collateral for bankers acceptance notes payable and letters of credit. The Company is required to maintain 50% to 100% of the balance of the bank’s acceptance notes payable to ensure future credit availability.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at net realizable value. An allowance for doubtful accounts is established based on the management’s assessment of the recoverability of accounts and other receivables. A considerable amount of judgment is required in assessing the realization of these receivables, including the current credit worthiness of each customer and the related aging analysis. Delinquent account balances are written-off against allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. As of May 31, 2014 and 2013, management assessed and recorded allowance for doubtful accounts of $909,591 and $268,201, respectively.

Inventory

Inventory consists of raw materials and packing materials for manufacturing, work in process, and finished goods. Inventories are valued at the lower of cost or market with cost determined on a weighted average basis. Management compares the cost of inventory with the market value and an allowance is made for writing down the inventory to its market value, if lower than cost. As of May 31, 2014 and 2013, management had identified no slow moving or obsolete inventory.

Plant, property and equipment

Plant, property and equipment are stated at cost. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and locations for its intended use. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings	20 years
Machinery and equipment	5-10 years
Transportation equipment	5 years

Expenditures for maintenance and repairs are charged to expense as incurred. Additions, renewals and betterments are capitalized.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. An impairment loss, measured based on the fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying amount of the assets. As of May 31, 2014 and 2013, no impairment of long-lived assets is believed to exist.

Revenue recognition

The Company’s revenue is derived from the sale of products. The Company’s revenue recognition policies are in compliance with Staff Accounting Bulletin 104, included in the Accounting Standards Codification ("ASC") as ASC 605, *Revenue Recognition* . Our determination to recognize revenue is based on the following:

- Persuasive evidence that an arrangement (sales contract) exists between a willing customer and us that outlines the terms of the sale (including customer information, product specification, quantity of goods, purchase price and payment terms).

- Delivery is considered to have occurred when the risks, rewards and ownership of the products are transferred from us to our customers.

- Our price to the customer is fixed and determinable as specifically outlined in the sales contract.

- For customers to whom credit terms are extended, we assess a number of factors to determine whether collection from them is probable, including past transaction history with them and their credit-worthiness. All credit extended to customers is pre-approved by management. If we determine that collection is not reasonably assured, we defer the recognition of revenue until collection becomes reasonably assured, which is generally upon receipt of payment.

Payments received before satisfaction of all of the relevant criteria for revenue recognition are recorded as advance from customers.

The Company currently does not offer customers a right of return. Therefore, uncertainty regarding customer acceptance does not exist and delivered elements are not subject to general or customer-specified return or refund privileges.

The Company commenced an "Energy Management Contract" program in the current fiscal year. Under the program, the Company provides the lighting products and the installation for the customers and the Company is compensated by a fee based on an agreement regarding the anticipated energy bill savings. The lighting products will belong to the customer at the end of the term, which is one to five years for current signed contracts. These agreements are classified as sales type leases in accordance with ASC 840, Leases. The present value of the aggregate lease payment receivable is recorded as sales type lease revenue. For balance sheet purposes, the aggregate lease payments receivable are recorded net of unearned income as net investment in leases. The Company amortizes unearned income, or deferred revenue, to interest income over the lease term on an internal rate of return method. The interest income for the fiscal years ended May 31, 2014 and 2013 were $63,253 and $0, respectively.

Income taxes

The Company's subsidiaries in China are subject to the income tax laws of the PRC. No taxable income was generated outside the PRC for the fiscal years ended May 31, 2014 and 2013. The Company accounts for income tax under the asset and liability method as stipulated by ASC 740, , which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of the events that have been included in the financial statements or tax returns. Deferred income taxes will be recognized if significant temporary differences between tax and financial statements occur. Valuation allowances are established against net deferred tax assets when it is more likely than not that some portion or all of the deferred tax asset will not be realized. As of May 31, 2014 and 2013, no valuation allowance is considered necessary.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the fiscal years ended May 31, 2014 and 2013.

Value-added tax

Sales revenue represents the invoiced value of goods, net of a Value-Added Tax ("VAT"). All of the Company's products that are sold in the PRC are subject to a Chinese value-added tax at a rate of 17% of the gross sales price. This VAT may be offset by VAT paid by the Company on raw materials and other materials included in the cost of producing their finished product.

The Company recorded VAT payable in the amount of $985,580 and $812,243 as of May 31, 2014 and 2013, respectively.

Fair value of financial instruments

The Financial Accounting Standards Board's ASC Topic 820, "Fair Value Measurements", defines fair value, establishes a three-level valuation hierarchy for fair value measurements and enhances disclosure requirements.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, restricted cash, accounts receivable, due from related parties, loans to third parties, advances to suppliers, accounts payable, due to related parties, customer deposits, accrued expenses, short term bank loans and bankers acceptance notes payable approximates their recorded values due to their short-term maturities. Receivables on sales-type leases are based on interest rates implicit in the lease and the carrying amounts reported is a reasonable estimate of their fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

Foreign currency translation

The functional currency of the U.S. parent company is USD. The functional currency of the Company's Chinese subsidiary is RMB and its reporting currency is U.S dollars for the purpose of these financial statements. The accounts of the Chinese subsidiary were translated into USD in accordance with ASC Topic 830 "Foreign Currency Matters," According to Topic 830, all assets and liabilities were translated at the exchange rate on the balance sheet date; stockholders' equity is translated at historical rates and statement of income items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, "Comprehensive Income." Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the statements of income and other comprehensive income. The company has recorded other comprehensive loss and gain of $183,993 and $209,066 for the twelve months ended May 31, 2014 and 2013, respectively, as a result of foreign currency translation.

The following exchange rates were adopted to translate the amounts from RMB into United States dollars ("USD$") for the respective fiscal years:

	May 31, 2014	May 31, 2013
Fiscal Year-End RMB Exchange Rate (RMB/USD$)	6.2490	6.1865
Average Yearly RMB Exchange Rate (RMB/USD$)	6.1299	6.2940

Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. All of the Company's cash is maintained with banks within the People's Republic of China of which no deposits are covered by insurance. The Company has not experienced any losses in such accounts. A significant portion of the Company's sales are credit sales which are primarily to customers whose ability to pay is dependent upon the industry economics prevailing in these areas. The Company also performs ongoing credit evaluations of its customers to help further reduce credit risk.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. The reclassification had no impact on net income or cash.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

The Company provides an allowance for doubtful accounts related to its receivables. The receivables and allowance balances at May 31, 2014 and 2013 are as follows:

	May 31,	
	2014	2013
Accounts Receivable	$ 6,662,699	$ 8,667,673
Less: Allowance for Doubtful Accounts	(909,591)	(268,201)
Accounts Receivable, Net	$ 5,753,108	$ 8,399,472

NOTE 4 – INVENTORY

Inventory consists of finished goods, work-in-process, and raw materials, net of valuation allowance. No allowance for inventory was made as of May 31, 2014 and 2013.

The components of inventories as of May 31, 2014 and 2013 were as follows:

	May 31, 2014	May 31, 2013
Raw materials	$ 1,581,409	$ 341,240
Packaging	-	61,339
Work-in-progress	-	224,783
Finished goods	390,800	312,966
Total Inventories	**$ 1,972,209**	**$ 940,328**

NOTE 5 – PLANT, PROPERTY AND EQUIPMENT, NET

The components of property and equipment as of May 31, 2014 and 2013 were as follows:

	May 31, 2014	May 31, 2013
Machinery Equipment	$ 8,307,078	$ 2,881,586
Building	5,408,865	5,463,509
Electronic Equipment	642,658	649,150
Transportation Equipment	288,250	291,162
Subtotal	14,646,851	9,285,407
Less: Accumulated Depreciation	(1,905,855)	(1,283,774)
Total plant, property and equipment, net	**$ 12,740,996**	**$ 8,001,633**

The depreciation expense for the fiscal years ended May 31, 2014 and 2013 was $647,257 and $230,908, respectively.

NOTE 6 - RELATED PARTY TRANSACTIONS AND BALANCES

An individual or entity is considered to be a related party if the person or the entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. An individual or entity is also considered to be related if the person or the entity is subject to common control or common significant influence.

NOTE 6 - RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The related parties of the company are comprised as follows:

Name of entity or individual	Relationship with the Company
Changzhou Jinyue Electronic Co.,Ltd	Entity controlled by Mr. Pan Shudong's Sister
Changzhou Wujin Hengtong Metal Steel Wires Co. Ltd.	Entity controlled by Ms. Pan Yile's family members
Changzhou Hanyu Electronic Co.,Ltd	Entity controlled by Mr. Pan Shudong's Sister
Chuangzhou Ruiyuan Steel Pipe Co. Ltd	Entity controlled by Mr. Pan Shudong's Sister
Mr. Pan Shudong	Controlling Shareholder and CEO of the Company
Ms. Pan Yile	Mr. Pan Shudong's Daughter and an Officer of the Company

(i) Due from Related Parties:

At May 31, 2014 and 2013, there were no amounts due from related parties.

(ii) Due to Related Parties

Due to Related Parties at May 31, 2014 and 2013 consisted of the follows:

	May 31 2014	May 31 2013
Changzhou Wujin Hengtong Metal Steel Wires Co. Ltd.	$ 320,051	$ -
Changzhou Ruiyuan Steel Pipe Co. Ltd	192,031	-
Changzhou Hanyu Electronic Co.,Ltd	80,013	-
Total due to related parties	**$ 592,095**	**$ -**

Due to related parties were unsecured, had no written agreement, were due on demand with no maturity date, and bore no interest.

(ii) Sales to related parties

During the fiscal years ended May 31, 2014, the Company made no sales to related parties. During the fiscal year ended May 31, 2013, the Company sold products for a total of $108,756 to Changzhou Jinyue Electronic Co., Ltd.

NOTE 7 – SHORT-TERM BANK LOANS

The Company's short term bank loans consisted of the follows:

	May 31, 2014	May 31, 2013
Loan from China Industrial and Commercial Bank (6.0% annual interest rate, due on September 27, 2014, renewed on September 4, 2014 with annual interest rate of 6.3% and maturity date on August 26, 2015)	$ 848,136	$ -
Loan from China Industrial and Commercial Bank (6.0% annual interest rate, due on July 21, 2014, renewed on July 17, 2014 with maturity date on April 15, 2015)	480,077	-
Loan from Changzhou Wujinyingfeng Agriculture Credit Union (1.86% monthly interest rate, due on September 21, 2014)	480,077	
Loan from China Industrial and Commercial Bank (6.0% annual interest rate, due on October 30, 2014, renewed on September 9, 2014 with annual interest rate of 6.3% and maturity date on June 1, 2015)	480,077	-
Loan from China Industrial and Commercial Bank (6.0% annual interest rate, due on September 25, 2014, renewed on September 9, 2014 annual interest rate of 6.3% and maturity date on August 6, 2015)	352,056	
Loan from China Merchant Bank (7.80% annual interest rate, due on June 18, 2014)	320,051	-
Loan from China Merchant Bank (7.68% annual interest rate, due on August 15, 2013)	-	1,131,496
Loan from China Industrial and Commercial Bank (6.0% annual interest rate, due on January 9, 2014)	-	969,854
Loan from Changzhou Wujinyinfeng Agriculture Credit Union (0% annual interest rate, due on June 28, 2013)	-	808,211
Total	$ 2,960,474	$ 2,909,561

The above loans are guaranteed by affiliate companies controlled by the CEO or his family members. The interest expenses related to the above loans for the fiscal years ended May 31, 2014 and 2013 were $187,298 and $258,392, respectively.

On June 6, 2014, the company obtained a new loan from Huaxia Bank in the amount of $320,051, or RMB 2,000,000, with 8.4% annual interest rate and the maturity date of June 6, 2015.

NOTE 8 – NOTES PAYABLE

	May 31, 2014	May 31, 2013
Notes payable issued by Huaxian Bank for six months, matured on October 23, 2013	$ -	$ 1,616,423
Notes payable to China Industrial and Commercial Bank for six months, matured on October 25, 2013	-	161,642
Total notes payable	**$ -**	**$ 1,778.065**

$0 and $969,854 was held in bank as restricted cash as of May 31, 2014 and 2013, respectively.

NOTE 9 - TAXES PAYABLE

Taxes payable at May 31, 2014 and 2013 are as follows:

	As of May 31, 2014	As of May 31, 2013
Corporate Income Tax	$ 1,694,388	$ 973,163
Value-Added Tax	985,580	812,243
Other Tax & Fees	260,448	191,546
Total	**$ 2,940,416**	**$ 1,976,952**

NOTE 10 - INCOME TAXES

Changzhou Huayue Electronics Co., Ltd was registered in the PRC and was qualified as a high-tech company and is entitled to a preferential tax rate of 15% through November, 2014.

For the fiscal years ended May 31, 2014 and 2013, Changzhou Huayue Electronics Co., Ltd recorded income tax provisions of $637,312 and $849,473 respectively.

(i) The components of the income tax expense (benefit) are as follows:

	For the fiscal years ended May 31, 2014	**For the fiscal years ended May 31, 2013**
Current	$ 800,712	$ 849,473
Deferred	(163,401)	-
Total Income tax expense (benefit)	$ 637,311	$ 849,473

(ii) The following table summarizes deferred taxes resulting from differences between financial accounting basis and tax basis of assets and liabilities:

	May 31, 2014	May 31, 2013
Current assets and liabilities	$ 135,378	$ 39,159
Accounts receivable allowances	18,423	-
Advances to suppliers allowances	10,766	-
Deferred revenue	164,567	39,159
Total deferred tax assets - current		
Long term assets and liabilities		
Deferred revenue	24,673	-
Accumulated depreciation	9,813	-
Total deferred tax assets - Non current	34,486	-
Valuation allowances	-	-
Total deferred tax assets, net	$ 199,053	$ 39,159

NOTE 10 - INCOME TAXES (Continued)

(iii) The following table is a reconciliation of the statutory tax rate to the effective tax rate for the fiscal years ended May 31, 2014 and 2013:

	For the fiscal years ended May 31,	
	2014	2013
U.S. federal statutory rate	34.0%	34.0%
Foreign tax rate differencial	(19.0%)	(19.0%)
Other	-	3.4%
Effective income tax rate	15%	18.4%

Note 11 – CONCENTRATIONS

For the fiscal year ended May 31, 2014, no single customer accounted for over 10% of the total sales. For the fiscal year ended May 31, 2013, three major customers accounted for approximately 22%, 16% and 11% of the total sales, respectively.

For the fiscal year ended May 31, 2014, two major suppliers accounted for approximately 16% and 16% of the Company's total purchases, respectively. For the fiscal year ended May 31, 2013, one major supplier accounted for approximately 10% of the Company's total purchases.

NOTE 12 - CONTINGENCIES

Guarantee

On March 13, 2013, the Company signed an agreement with China Industry and Commerce Bank under which the Company guaranteed borrowing by Changzhou Hanyu Electronics Inc, a non-related third party, for bank credit (including loans, notes payable, letter of credit and other credit forms) up to RMB 5.1 million, approximately $823,000 . The guarantee is effective from March 16, 2013 to March 15, 2015.

Shares to be issued

On March 12, 2013 the Company entered into a written agreement with Buckman, Buckman & Reid, Inc. ("BB&R"). The agreement provides that for a one year term BB&R will serve as exclusive consultant to the Company in connection with corporate structure, public market strategies and fundraising activities. In partial compensation for the services of BB&R, the Company committed to sell to BB&R for nominal consideration common stock equal to five percent of the outstanding shares of Company common stock on a fully-diluted basis. The sale has been completed through transfer of shares from Ms. Li Xinmei, a Director of the Company, to BB&R subsequent to May 31, 2014.

NOTE 13 - STOCKHOLDERS' EQUITY

Stock issuance

On November 21, 2012, the Company's Board of Directors approved and authorized the sale of 1,260,000 shares at $2.50 per share to Ms. Li Xinmei, a major shareholder of the Company. The Company received total proceeds of $3,150,000 from Ms. Li.

Additional paid in capital

During the fiscal year ended May 31, 2014, there is no change to additional paid in capital. In the fiscal year ended May 31, 2013, Ms. Li Xinmei contributed $3,047,681 to the Company.

NOTE 13 - STOCKHOLDERS' EQUITY (Continued)

Statutory Reserve

Subsidiaries incorporated in China are required to make appropriations to reserve funds, based on after-tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China ("PRC GAAP"). Effective January 1, 2006, the Company is required to contribute to one statutory reserve fund at 10% of net income after tax per annum, and any contributions are not to exceed 50% of the respective companies' registered capital.

For the fiscal years ended May 31, 2014 and 2013, the Company appropriated $361,142 and 375,728 to the statutory reserve, respectively.

Shares to be Issued

On March 12, 2013 the Company entered into a letter agreement with Buckman, Buckman & Reid, Inc. ("BB&R"). The agreement provides that for a one year term BB&R will serve as exclusive consultant to the Company in connection with corporate structure, public market strategies and fundraising activities. In partial compensation for the services of BB&R, the Company committed to sell to BB&R for nominal consideration common stock equal to five percent of the outstanding shares of Company common stock on a fully-diluted basis. The sale has been completed through transfer of shares from Ms. Li Xinmei to BB&R subsequent to May 31, 2014.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2014, the date which the consolidated financial statements were available to be issued. All subsequent events requiring recognition as of May 31, 2014 have been incorporated into these consolidated financial statements and there are no subsequent events that require disclosure in accordance with FASB ASC Topic 855, "Subsequent Events".

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) **Evaluation of Disclosure Controls and Procedures.**

Evaluation of Disclosure Controls and Procedures . Our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule13a-15(e) promulgated by the Securities and Exchange Commission) as of May 31, 2014. The evaluation revealed that there are material weaknesses in our disclosure controls, specifically:

- The relatively small number of employees who are responsible for accounting functions prevents us from segregating duties within our internal control system.
- Our accounting personnel lack expertise in identifying and addressing complex accounting issues under U.S. Generally Accepted Accounting Principles.

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's system of disclosure controls and procedures was not effective as of May 31, 2014.

(b) **Changes in Internal Controls.**

There was no change in internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Securities Exchange Act or 1934) identified in connection with the evaluation described in the preceding paragraph that occurred during the Company's fourth fiscal quarter that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

(c) **Management's Report on Internal Control over Financial Reporting .**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of those internal controls as of May 31, 2014, using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control – Integrated Framework (1992) as a basis for our assessment.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified two material weaknesses in our internal control over financial reporting. These material weaknesses consisted of:

- The relatively small number of employees who are responsible for accounting functions prevents us from segregating duties within our internal control system.

- Our accounting personnel lack expertise in identifying and addressing complex accounting issued under U.S. Generally Accepted Accounting Principles.

Management is currently reviewing its staffing and their training in order to remedy the weaknesses identified in this assessment. To date, we are not aware of significant accounting problems resulting from these weaknesses; so we have to weigh the cost of improvement against the benefit of strengthened controls. However, because of the above conditions, management's assessment is that the Company's internal controls over financial reporting were not effective as of May 31, 2014 .

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The officers and directors of the Company are:

Name	Age	Positions with the Company
Shudong Pan	49	Chairman of the Board of Directors and Chief Executive Officer
Li Xinmei	50	Director
Zhiqiang Zhou	39	Chief Technical Officer
Han Zhou	38	Chief Financial Officer
Wenjun Li	57	Chief Marketing Officer
Yile Pan	25	Vice President of International Affairs

The following sets forth biographical information regarding the Company's directors.

Shudong Pan is our Chairman of the Board and Chief Executive Officer. Mr. Pan founded Changzhou Huayue in 1999 in the town of Zouqu, Changzhou and has worked for the company since then. Prior to founding Yuayue, Mr. Pan was employed for 16 years by the Bureau of Taxation in China. Mr. Pan holds a Diploma in Accounting awarded by the Changzhou Financial Institute in 1986. He has served as a researcher for the Economic Research and Development Institute at Hehai University. In May 2009, Mr. Pan was elected Vice President of the Association of Lighting Devices in the city of Changzhou. He has participated in drafting the Chinese National Standards for Induction Lights. Mr. Pan is married to Xinmei Li, the other member of the Board of Directors.

Xinmei Li has been employed by Changzhou Huayue as Chief Financial Officer since 2002. During the same period, Ms. Li has been employed as Chief Executive Officer of Changzhou Heng Chuan Plastics Co., Ltd. Prior to 2002, Ms. Li was employed for 21 years in various positions in the banking industry in China. In 2005 she was awarded a Bachelor's Degree in Economic Management by Southeastern University in China. Ms. Li is a certified public accountant in China. She is married to Shudong Pan, the other member of the Board of Directors.

Zhiqiang Zhou is our Chief Technical Officer. Mr. Zhou has been employed by Changzhou Huayue in this capacity, researching and designing new product lines, since 2008. He will lead the induction light research and development team, designing operating systems and hardware and solving technology issues. Mr. Zhou received a Masters Degree in Electrical Engineering and Information Systems in Canada in 2008.

Han Zhou has been employed since 2010 as chief accounting clerk of Changzhou Huayue, the operating subsidiary of Huayue Electronics, and was elevated to the position of Chief Financial Officer of Huayue Electronics in June 2013. From 2000 to 2010, Mr. Zhou was employed as chief financial officer of Huawei Electronics, which was an affiliate of Changzhou Huayue. In 2003 Mr. Zhou was awarded a Masters Degree in Industrial Accounting by the Shanghai Unversity of Finance and Economics.

Wenjun Li is our Chief Marketing Officer. He has been employed as Sales Director by Changzhou Huayue since 2010. From 2006 to 2010, Mr. Li was the Assistant Sales Manager for Jiangsu Nuoming Light Device Ltd. He served in the administration of the Shanxi Provincial Bureau of Education between 2000 and 2006. In 2007, Mr. Li received a Bachelor's Degree in Chinese literature from China Northwest University and a Certificate in Corporate Management.

Yile ("Lisa") Pan. Since 2012 Ms. Pan has been employed as Sales Manager by Changzhou Huayue, the operating subsidiary of Huayue Electronics. From 2011 to 2012 Ms. Pan was employed by Changzhou Huayue as Assistant to the General Manager. In 2011 Ms. Pan was awarded a Bachelor of Arts Degree with a major in Economics by the University of British Columbia. Ms. Pan's parents are Shudong Pan and Xinmei Li, who are the members of the board of directors of Huayue Electronics, Inc.

All of our directors hold offices until the next annual meeting of the shareholders of the Company, and until their successors have been qualified after being elected or appointed. Officers serve at the discretion of the board of directors.

Audit Committee; Compensation Committee; Nominating Committee

The Board of Directors has not yet appointed an Audit Committee, a Compensation Committee or a Nominating Committee. The functions that would be performed by such committees are performed by the Board of Directors. The Board of Directors does not have yet an "audit committee financial expert," as we have only recently become a U.S. public company.

Procedure for Nominating or Recommending for Nomination Candidates for Director

The Board of Directors will consider candidates recommended by shareholders. However, the Board has no plan to hold an annual meeting of shareholders unless and until the Company's securities are listed on an exchange. In the meantime, any shareholder who wishes to recommend a candidate for the Board should address the recommendation in writing to the Chairman of the Board at the Company's principal executive offices.

Code of Ethics

The Company has not yet adopted a Code of Ethics that applies to its executive officers. The Board intends to adopt such a code in the coming year.

Section 16(a) Beneficial Ownership Reporting Compliance

None of the officers, directors or beneficial owners of more than 10% of the Company's common stock failed to file on a timely basis the reports required by Section 16(a) of the Exchange Act during the year ended May 31, 2014.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation awarded to, earned by, or paid by Changzhou Huayue to Shudong Pan, the Company's Chief Executive Officer, for services rendered in all capacities to the Company during the years ended May 31, 2014, 2013 and 2012. There were no other executive officers whose total salary and bonus for the fiscal year ended May 31, 2014 exceeded $100,000.

	Fiscal Year	*Salary*	*Bonus*	*Stock Awards*	*Option Awards*	*Other Compensation*
Shudong Pan	2014	2,777	--	--	--	--
	2013	2,777	--	--	--	--
	2012	2,777	--	--	--	--

Employment Agreements

In connection with the Company's acquisition of Changzhou Huayue in September 2011, the Company entered into an Entrusted Management Agreement with Pan Shudong and Li Xinmei, who were the two principal managers of Changzhou Huayue. The Entrusted Management Agreement provides that Mr. Pan and Ms. Li (the "Managers") will serve as members of the Company's Board of Directors for a three year term. They also undertake responsibility for day-to-day management of the Company and its subsidiaries, although they may engage other officers and agent to assist them. In compensation for their services, the Company issued to them 20,201,500 shares of restricted common stock. The shares may not be transferred for three years, and then no more than 4,040,300 may be transferred in any year. In addition, if the Company's annual return on equity for the period from September 2, 2011 to September 1, 2014 is less than five percent, the shares will be cancelled.

Compensation of Directors

Shudong Pan and Li Xinmei are the only members of our board of directors. They receive no compensation for service on the board, other than the compensation that they receive for service as officers of the Company.

Equity Grants

The following tables set forth certain information regarding the stock options acquired by the Company's Chief Executive Officer during the year ended May 31, 2014 and those options held by him on May 31, 2014.

Option Grants in the Last Fiscal Year

	Number of securities underlying option granted	Percent of total options granted to employees in fiscal year	Exercise Price ($/share)	Expiration Date	Potential realizable value at assumed annual rates of appreciation for option term 5%	10%
Shudong Pan	--	--	--	--	--	--

The following tables set forth certain information regarding the stock grants received by the executive officer named in the table above during the year ended May 31, 2014 and held by him unvested at May 31, 2014.

Unvested Stock Awards in the Last Fiscal Year

	Number of Shares That Have Not Vested	Market Value of Shares That Have Not Vested
Shudong Pan	--	--

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of the date of this prospectus by the following:

- each shareholder known by us to own beneficially more than 5% of our common stock;
- Shudong Pan, our Chief Executive Officer
- each of our directors; and
- all directors and executive officers as a group.

There are 31,327,741 shares of our common stock outstanding on the date of this report. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed below have sole voting power and investment power with respect to their shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission.

In computing the number of shares beneficially owned by a person and the percent ownership of that person, we include shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days. We do not, however, include these “issuable” shares in the outstanding shares when we compute the percent ownership of any other person.

Beneficial Owner	*Amount and Nature of Beneficial Ownership* [(1)]	*Percentage of Class*
Pan Shudong [(2)]	13,079,370	41.8%
Li Xinmei [(2)]	13,079,370	41.8%
All officers and directors As a group (6 persons)	13,082,370	41.8%
Huakang Zhou [(3)]	4,057,930	13.0%

(1) Except as otherwise noted, all shares are owned of record and beneficially.

(2) Pan Shudong and Li Xinmei are married to each other. Accordingly, each is a beneficial owner of shares owned of record by the other. Their record ownership is: Pan Shudong - 10,809,000; Li Xinmei -2,270,370. The shares owned by Pan Shudong and Li Xinmei are restricted by the terms of the Entrusted Management Agreement dated September 2, 2011. In the event that the Company's annual return on equity for the three years ended September 2, 2014 is less than five percent, the shares will be cancelled.

(3) Includes 2,000,000 shares owned of record by Moutasia Capital Opportunity Fund, LLC, over which Mr. Zhou exercises voting and dispositional control, 1,000,000 shares owned of record by Mr. Zhou's spouse, Xiaojin Wang, and 857,930 and 200,000 shares owned by Ying Wang and Lan Wang, respectively, over which Mr. Zhou exercises voting and dispositional control.

ITEM 13CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

Changzhou Huayue is one of several entities owned by our CEO, Shudong Pan, and/or members of his family. Since Changzhou Huayue was organized, the entities have utilized each other as sources of raw materials and as intermediate customers, thereby taking advantage of available cash flows and advantageous relationships. Prior to September 2, 2011, when Huayue Electronics acquired Changzhou Huayue, these transactions were not necessarily equivalent to arms-length. Since that date, any purchases by Huayue from related parties or sales by Huayue to related parties have been carried out on fair market terms.

As a result of these recurrent transactions, Changzhou Huayue has throughout its history had amounts due to these related parties and due from these related parties. As of May 31, 2012 it owed $194,312 to two entities that are related parties, and was owed $1,390,074 by five entities and three persons who are related parties. All of those obligations were satisfied during the year ended May 31, 2013. During fiscal year 2014, the Company had related party obligations of $592,095 owing to the entities owned by the CEO's family members at May 31, 2014.

Except as noted above, none of the officers or directors of Huayue Electronics has engaged in any transaction with Huayue Electronics or its subsidiaries during the past two fiscal years or the current fiscal year that had a transaction value in excess of the lesser of $120,000 or one percent of the average of the Company's total assets as of May 31, 2014.

Director Independence

There are no members of our Board of Directors who are independent, as "independent" is defined in the rules of the NYSE Amex.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

KCCW Accountancy Corporation was engaged to serve as the Company's independent registered public accountant in August 2014. Previously, Friedman LLP served as the Company's independent registered public accountant.

Audit Fees

KCCW Accountancy Corporation billed $40,000 to the Company for professional services rendered for the audit of financial statements for the fiscal year ended May 31, 2014. Friedman, LLP billed $50,000 to the Company for professional services rendered for the audit of financial statements for the fiscal year ended May 31, 2013.

Audit-Related Fees

KCCW Accountancy Corporation billed $5,000 for assurance and related services that are reasonably related to the performance of the fiscal 2014 audit or review of the quarterly financial statements. Friedman, LLP billed $5,000 to the Company during fiscal 2013 for assurance and related services that are reasonably related to the performance of the fiscal 2013 audit or review of the quarterly financial statements.

Tax Fees

KCCW Accountancy Corporation billed $0 to the Company during fiscal 2014 for professional services rendered for tax compliance, tax advice and tax planning. Friedman, LLP billed $0 to the Company during fiscal 2013 for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

KCCW Accountancy Corporation billed $0 to the Company in fiscal 2014 for services not described above. Friedman, LLP billed $0 to the Company in fiscal 2013 for services not described above.

It is the policy of the Company that all services other than audit, review or attest services must be pre-approved by the Board of Directors. No such services have been performed by KCCW Accountancy Corporation , Friedman, LLP or by GZTY CPA Group, LLC.

Subcontracted Services

The hours expended on KCCW Accountancy Corporation's engagement to audit the Company's financial statements for the year ended May 31, 2014 that were attributed to work performed by persons other than full-time permanent employees of KCCW Accountancy Corporation was not greater than 50% of the total hours expended.

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibit List

3-a	Certificate of Incorporation - filed as an exhibit to the Company's Registration Statement on Form 8-A on November 19, 2010 and incorporated herein by reference.
3-a(1)	Certificate of Amendment of Certificate of Incorporation dated August 16, 2006 - filed as an exhibit to the Company's Registration Statement on Form 8-A on November 19, 2010 and incorporated herein by reference.
3-a(2)	Certificate of Amendment of Certificate of Incorporation dated October 17, 2011 - filed as an exhibit to the Company's Current Report on Form 8-K on November 3, 2011 and incorporated herein by reference.
3-b	Bylaws - Filed as an exhibit to the Company's Registration Statement on Form 8-A on November 19, 2010 and incorporated herein by reference.
10-a	Entrusted Management Agreement dated September 31, 2011 among HXT Holdings, Inc., Pan Shudong and Li Xinmei - filed as an exhibit to the Company's Current Report on Form 8-K on September 2, 2011 and incorporated herein by reference.
21	Subsidiaries – China Metal Holding, Inc. a Delaware corporation Changzhou Huayue Electronic Co., Ltd., a joint stock company organized in the People's Republic of China
31.1	Rule 13a-14(a) Certification – CEO
31.2	Rule 13a-14(a) Certification - CFO
32	Rule 13a-14(b) Certifications
101 INS	XBRL Instance Document*
101 SCH	XBRL Schema Document*
101 CAL	XBRL Calculation Linkbase Document*
101 DEF	XBRL Definition Linkbase Document*
101 LAB	XBRL Labels Linkbase Document*
101 PRE	XBRL Presentation Linkbase Document*

* The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

HUAYUE ELECTRONICS, INC.

Date: September 15, 2014	By : /s/ Shudong Pan Shudong Pan, Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Shudong Pan Shudong Pan Director, Chief Executive Officer	September 15, 2014
/s/ Han Zhou Han Zhou Chief Financial and Accounting Officer	September 15, 2014
/s/ Li Xinmei Li Xinmei, Director	September 15, 2014

Rule 13a-14(a) Certification - CEO

I, Shudong Pan, certify that:

1. I have reviewed this annual report on Form 10-K of Huayue Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal controls over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: September 15, 2014	/s/ Shudong Pan
	Shudong Pan, Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a) Certification - CFO

I, Han Zhou,certify that:

1. I have reviewed this annual report on Form 10-K of Huayue Electronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal controls over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls over financial reporting.

Date: September 15, 2014 /s/ Han Zhou
Han Zhou, Chief Financial Officer

EXHIBIT 32

Rule 13a-14(b) Certifications

The undersigned officers certify that this report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Huayue Electronics, Inc.

A signed original of this written statement required by Section 906 has been provided to Huayue Electronics, Inc. and will be retained by Huayue Electronics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

September 15, 2014	/s/ Shudong Pan Shudong Pan (Chief Executive Officer)
September 15, 2014	/s/ Han Zhou Han Zhou (Chief Financial Officer)