Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

(Expressed in Canadian dollars)

Nine months ended September 30, 2012 and 2011

(Unaudited)

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Financial Position
Unaudited (Expressed in Canadian Dollars)

	Note	September 30, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents		$ 340,856	$ 75,677
Restricted cash	4	1,878,000	1,696,800
Amounts receivable	5	1,205,416	1,141,874
GST/VAT recoverable		150,709	24,528
Deposits and prepayments		1,818,076	1,698,814
Inventory	6	3,829,257	2,874,465
		9,222,314	7,512,158
Capital assets	7	228,316	308,311
Trademark		19,176	19,176
Goodwill	8	306,926	306,926
TOTAL ASSSETS		$ 9,776,732	$ 8,146,571
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	1,100,075	937,731
Taxes payable		7,098	37
Loan from shareholders	14	1,870,480	997,545
Short term loan	11	5,390,979	4,552,714
Current portion of long term loan	12	-	18,659
Total Current Liabilities		8,368,632	6,506,686
Long Term Loan	12	0	-
TOTAL LIABILITIES		8,368,632	6,506,686
SHAREHOLDERS' EQUITY			
Common shares	13	7,015,340	6,695,007
Share-based payments reserve - warrants	13	2,606,979	2,752,081
Share-based payments reserve - options	13	801,296	738,948
Accumulated Other Comprehensive Income/(Loss)		91,601	223,382
Accumulated Deficit	1	(9,764,636)	(9,160,633)
Total equity attributable to equity holders of company		750,580	1,248,785
Non-controlling interest	9	657,520	391,100
TOTAL EQUITY		1,408,100	1,639,885
Total Liabilities and Shareholders' Equity		$ 9,776,732	$ 8,146,571

See accompanying notes to the condensed consolidated financial statements.

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Note 20)

On behalf of the Board:

"Tony Lau" ***"Ji Yoon"***

Tony Lau
CEO

Ji Yoon
Interim CFO

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Comprehensive Income

Unaudited (Expressed in Canadian Dollars)

	Note	Three months end September 30, 2012	Three months end September 30, 2011	Nine months end September 30, 2012	Nine months end September 30, 2011
Operating revenues					
Sales revenue		5,815,967	5,631,757	14,564,944	14,694,931
Service revenue		603,806	325,724	1,172,848	441,497
	3	6,419,773	5,957,481	15,737,792	15,136,428
Other operating income/(loss)		-	-	-	-
Total operating income		6,419,773	5,957,481	15,737,792	15,136,428
Operating expenses					
Purchases		5,344,922	5,016,399	12,741,586	13,300,455
Delivery charges		90,557	151,420	345,003	367,811
Other related expense		188,402	116,619	478,317	259,514
Foreign Exchange (gain)/loss		1,493	-	2,765	-
Depreciation and amortization	7	38,149	39,946	118,641	121,676
Sales and marketing		53,582	49,736	134,958	103,660
General administration		227,696	247,435	689,538	605,199
Salaries and benefits		464,901	436,202	1,372,606	1,134,009
Share-based compensation		20,324	17,930	65,078	17,930
Loss on disposal of assets		-	-	2,385	6,729
Bad debt expense		-	-	-	-
Total operating expense		6,430,026	6,075,687	15,950,877	15,916,984
Operating income/(loss)		(10,253)	(118,206)	(213,085)	(780,556)
Finance income		2,642	4,712	8,257	8,713
Finance costs	11,12	(129,851)	(92,241)	(328,735)	(224,651)
Income/(Loss) before income tax		(137,462)	(205,735)	(533,563)	(996,494)
Income tax recovery (expenses)		(7,021)	(8,915)	(22,334)	(13,467)
Net income/(loss)		(144,483)	(214,650)	(555,897)	(1,009,961)
Other comprehensive income/(loss)					
Foreign exchange currency adjustment		(35,894)	294,052	(224,265)	296,764
Net comprehensive income/(loss)		(180,377)	79,402	(780,163)	(713,197)
Net income/(loss) attribute to:					
Common shares		(157,965)	(324,984)	(604,002)	(935,632)
Non-controlling interest	9	13,482	110,335	48,105	(74,329)
		(144,483)	(214,650)	(555,897)	(1,009,960)
Comprehensive income/(loss) attributable to:					
Common shares		(191,228)	(30,933)	(735,783)	(638,868)
Non-controlling interest	9	10,851	110,335	(44,380)	(74,329)
		(180,377)	79,402	(780,163)	(713,197)
Net income/(loss) per common share					
Basic		(0.00)	(0.00)	(0.01)	(0.02)
Diluted		(0.00)	(0.00)	(0.01)	(0.02)
Comprehensive income/(loss) per common share					
Basic		(0.00)	0.00	(0.02)	(0.02)
Diluted		(0.00)	0.00	(0.02)	(0.02)

See accompanying notes to the condensed consolidated financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Changes in Equity
Unaudited (Expressed in Canadian Dollars)

	Number of shares	Share capital	Contributed Surplus - Warrants	Contributed Surplus - Options	Other Comprehensive Income	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance, January 1, 2010	31,361,285	$ 5,610,417	$ 2,606,979	$ 724,419	$ -	$ (7,133,999)	$ 1,807,816	$ 502,492	$ 2,310,309
Net Income/(Loss) for the period						(933,977)	(933,977)	11,565	(922,412)
Compensation expense related to Stock Options				7,054			7,054		7,054
Issuance of shares	7,000,000	350,000					350,000		350,000
Share issuance costs		(5,152)					(5,152)		(5,152)
Foreign currency translation difference					42,279	-	42,279	-	42,279
Balance at December 31, 2010	38,361,285	5,955,265	2,606,979	731,474	42,279	(8,067,976)	1,268,021	514,057	1,782,077
Net Income/(Loss) for the period						(230,097)	(230,097)	7,275	(222,823)
Option exercised	50,000	4,500		(2,000)			2,500		2,500
Foreign currency translation difference					(21,186)	-	(21,186)	(5,008)	(26,193)
Balance at March 31, 2011	38,411,285	5,959,765	2,606,979	729,474	21,093	(8,298,073)	1,019,238	516,324	1,535,561
Net Income/(Loss) for the period						(374,450)	(374,450)	(195,326)	(569,776)
Option exercised	130,000	18,700		(5,201)			13,500		13,500
Option expired		67,460		(67,460)			-		-
Issuance of shares	6,100,000	650,953	145,102				796,055		796,055
Share issuance costs		(22,871)					(22,871)		(22,871)
Foreign currency translation difference					20,509		20,509	8,396	28,905
Balance at June 30, 2011	44,641,285	6,674,007	2,752,081	656,813	41,603	(8,672,523)	1,451,981	329,393	1,781,374
Net Income/(Loss) for the period						69,320	69,320	10,082	79,402
Compensation expense related to Stock Options				17,930			17,930		17,930
Option expired		21,000		(21,000)			-		-
Foreign currency translation difference					193,799		193,799	100,253	294,052
Balance at September 30, 2011	44,641,285	6,695,007	2,752,081	653,744	235,402	(8,603,203)	1,733,030	439,728	2,172,758
Net Income/(Loss) for the period						(557,431)	(557,431)	(45,610)	(603,041)
Compensation expense related to Stock Options				85,204			85,204		85,204
Foreign currency translation difference					(12,020)		(12,020)	(3,018)	(15,037)
Balance at December 31, 2011	44,641,285	6,695,007	2,752,081	738,948	223,382	(9,160,634)	1,248,785	391,100	1,639,885
Net Income/(Loss) for the period						(227,764)	(227,764)	3,250	(224,514)
Compensation expense related to Stock Options				22,377			22,377		22,377
Warrants exercised	50,000	11,830	(2,329)				9,501		9,501
Option expired		1,530		(1,530)			-		-
Foreign currency translation difference					(109,812)		(109,812)	(87,607)	(197,419)
Balance at March 31, 2012	44,691,285	$ 6,708,367	$ 2,749,752	$ 759,795	$ 113,570	$ (9,388,398)	$ 943,087	$ 306,743	$ 1,249,830
Net Income/(Loss) for the period						(218,273)	(218,273)	31,373	(186,901)
Compensation expense related to Stock Options				22,377			22,377		22,377
Warrants exercised	850,000	301,218	(139,718)				161,500		161,500
Option exercised	30,000	2,700		(1,200)			1,500		1,500
Share issuance costs		3,055	(3,055)				-		-
Foreign currency translation difference					11,294		11,294	(2,247)	9,047
Balance at June 30, 2012	45,571,285	$ 7,015,340	$ 2,606,979	$ 780,972	$ 124,865	$ (9,606,671)	$ 921,485	$ 335,869	$ 1,257,353
Net Income/(Loss) for the period						(157,965)	(157,965)	13,482	(144,483)
Compensation expense related to Stock Options				20,324			20,324		20,324
Cash attributable to Non controlling interests							-	310,800	310,800
Foreign currency translation difference					(33,263)		(33,263)	(2,631)	(35,894)
Balance at September 30, 2012	45,571,285	$ 7,015,340	$ 2,606,979	$ 801,296	$ 91,601	$ (9,764,636)	$ 750,580	$ 657,520	$ 1,408,100

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
Unaudited (Expressed in Canadian Dollars)

	Three months end		Nine months end	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
OPERATING ACTIVITIES				
Net income/(loss) for the period	$ (144,483)	$ (214,650)	$ (555,897)	$ (1,009,961)
Non cash items:				
Depreciation and amortization	38,149	39,946	118,641	121,676
Share-based compensation	20,324	17,930	65,078	17,930
Loss on fixed assets disposal	-	-	2,385	6,730
Changes in non-cash working capital items:				
Amounts receivable	114,202	990,552	(189,723)	433,706
Deposits and prepayments	(798,362)	(1,531,335)	(119,262)	(1,510,598)
Inventory	(621,844)	(237,538)	(954,791)	(457,437)
Accounts payable and accrued liabilities	(149,328)	18,082	162,345	563,503
Loan from shareholders	1,273,103	714,437	872,935	833,478
Income taxes payable	(8,101)	9,251	7,061	9,251
	(276,340)	(193,325)	(591,228)	(991,722)
INVESTING ACTIVITIES				
Deferred development costs and other asset	-	-	-	-
Acquisition of capital assets	(10,911)	(38,534)	(37,574)	(194,312)
Proceeds from sales of capital assets	-	-		1,800
	(10,911)	(38,534)	(37,574)	(192,512)
FINANCING ACTIVITIES				
Proceeds/(Repayment) of short term loan	75,008	20,080	838,265	1,583,063
Advance from related party	310,800		310,800	
Repayment of long-term loan	-	(8,863)	(18,659)	(30,930)
Shares issued for cash				768,030
Shares issued for warrants/options exercised			172,500	16,000
	385,808	11,217	1,302,906	2,336,163
Decrease in cash during the period	98,557	(220,643)	674,104	1,151,929
Effect of foreign exchange	(32,101)	329,326	(227,725)	325,571
Cash and cash equivalents, beginning of period	2,152,400	2,514,676	1,772,477	1,145,859
Cash and cash equivalents, end of period	$ 2,218,856	$ 2,623,359	$ 2,218,856	$ 2,623,359
Supplemental disclosure with respect to cash flows				
Cash paid for:				
Interest	$ 129,851	92,352	$ 328,679	247,198
Income taxes	$ 14,915	-	$ 14,915	4,551

See accompanying notes to the consolidated financial statements.

Note 1- Nature and Continuance of Operations

Fireswirl Technologies Inc. (“the Company”) was founded in 1999 and became publicly listed in 2006. The address of the Company’s registered office is Suite 2823, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia. The Company focuses on technology development and deployment, and conducting e-commerce, including operating official online stores for international brands in China and reselling branded products on these online stores.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

Several adverse conditions cast doubt on the validity of this assumption. During the three month period ended September 30, 2012 and 2011, the Company experienced operating losses and negative operating cash flows which were primarily funded by borrowing of short term loans.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, and to commence profitable operations in the future. There is no assurance the Company will be able to achieve profitable operations or continue raising funds in the future.

	September 30, 2012	December 31, 2011	September 30, 2011
Deficit	$ (9,764,636)	$ (9,160,633)	$ (8,917,111)
Working Capital	853,682	1,005,472	1,217,688

Note 2 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Statement of Compliance

These condensed consolidated interim financial statements of the Corporation have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 20, 2012.

b) Basis of Presentation

The condensed consolidated interim financial statements have been prepared mainly under the historical cost convention. Other measurement bases used are described in the applicable notes.

The Company's financial year corresponds to the calendar year. The consolidated financial statements are prepared in Canadian dollars.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- acquisition cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, excluding transaction costs which are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the income statement;
- contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the income statement when the contingent consideration is a financial liability. Contingent consideration is not re-measured when it is an equity instrument; and
- upon gaining control in a step acquisition, the existing ownership interest is re-measured to fair value through the income statement.

Associates are those entities where the Company has the ability to exercise significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of an entity. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are generally recognized initially at cost. The consolidated financial statements include the Company's share of income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries and associates as follows:

Name	Place of incorporation	Ownership
Fireswirl Systems Inc.	Province of British Columbia, Canada	100%
Fireswirl Asia Ltd.	Hong Kong, China	100%
Fireswirl Mobile Solutions Ltd.	Hong Kong, China	100%
M- Lingo Limited	British Virgin Island	51%
SMS Translators Limited	British Virgin Island	51%
Fireswirl Technologies (Shenzhen) Co.Ltd.	Shenzhen, China	100%
Fireswirl Technologies (Beijing) Co. Ltd.	Beijing, China	100%
Beijing Xingchang Xinda Technology Development Co., Ltd	Beijing, China	50%
Tysen Xieli Technology Co. Ltd.	Beijing, China	21%

In 2009, Tsyen Xieli Technology is an investment over which the Company is able to exercise significant influence and is accounted for by the equity method. This investment has been written down at the end of 2009.

All significant inter-company transactions and balances have been eliminated upon consolidation.

c) Cash and cash equivalents

Cash consists of cash, funds in bank accounts, and marketable securities such as guaranteed investment certificates. Interest income earned on these marketable securities is recorded on an accrual basis.

Cash is held in Canadian dollars, US dollars, Hong Kong dollars, and Chinese RMB which is not freely convertible into other currencies. Under China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through a government bank authorized to conduct foreign exchange business if the purpose of such exchange fulfills the relevant requirements.

d) Capital assets

Capital assets are recorded at cost and are depreciated annually on straight-line basis. Depreciation is charged using the following assumptions:

Computer hardware	3 year straight-line
Furniture and fixtures	5 year straight-line
Leasehold improvements	Straight-line over the term of the lease

Capital assets are written down to the net recoverable value when management determines there has been a change in circumstances which indicates its carrying amount may not be recoverable.

e) Comprehensive income

This section establishes standards for reporting and presentation of comprehensive income, which is comprised of net earnings or loss and other comprehensive income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available-for-sale securities, which are not included in net income (loss) until realized.

f) Foreign currency translation

The Company uses the Canadian dollar as its presentation currency.

Revenue and expense transactions that are denominated in foreign currencies and entered into directly by the Company are translated into Canadian dollars at the exchange rates prevailing at the time of the transactions. Amounts receivable and payable in foreign currencies are stated in Canadian dollars at the rates of exchange prevailing at the balance sheet dates, and the resulting foreign exchange gains and losses are recognized in the net income (loss) for the year.

For consolidation purposes, the assets and liabilities of subsidiary entities whose functional currencies differ from that of the Company are translated at the exchange rate prevailing at the balance sheet date. Income statements of such entities are translated at average rates of exchange during the year. All resulting exchange differences, including exchange differences arising from the translation of borrowings and other financial instruments are recognized directly in accumulated other comprehensive income (loss).

Should a foreign operation be sold, the cumulative exchange differences recognized in accumulated other comprehensive income (loss) since January 1, 2010 would be recognized in the income statement as part of the profit or loss on sale.

g) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
(ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit to be realized.

h) Revenue recognition

The Company generates its revenue from online merchandize resale, online advertising, system setup fees, customization fees, service and licensing fees.

Revenue from the sale of online merchandize is recognized in our accounts when title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable.

System setup fees and customization fees are recognized at the time when service is delivered, following agreement of fees and contractual arrangements and when collection of amounts due is considered to be reasonably assured.

Advertising and service fees are recognized when the service is performed, there are no significant obligations remaining, the sales price is determinable and collectability is reasonably assured.

Licensing fees are recognized ratably over the period of the licensing term, once the service is delivered, following agreement of fees and contractual arrangements and when the collection of amounts due is considered to be reasonably assured. Cash received in excess of the revenue recognized is deferred.

i) Inventory

Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Inventory consists of finished goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand which would impair the value of inventory on hand.

j) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the balance sheets as well as the reported amounts of revenues, expenses, and cash flows during the periods presented. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from estimated amounts.

Amounts recorded for amortization are based on the estimated lives of property, plant and equipment. Stock-based compensation is based upon expected volatility and option life estimates. The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax basis of assets and liabilities. Valuation of the accounts receivable are based on assumptions regarding collectability. Valuation of goodwill is based on assumptions regarding recoverability of the recorded amount. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

k) Share-based compensation plans

The Company offers stock-based compensation to key employees and non-executive directors as described below. The Company accounts for the performance of the stock option plan, which calls for settlement by the issuance of equity instruments, using the fair value method. Under the fair value method, compensation cost attributed to the options to employees is measured at fair value at the grant date and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting period.

Compensation cost is recognized so that each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting. Share-based payment expense relating to cash-settled awards, including share appreciation rights is accrued at the fair value of the liability. Until the liability is settled, the Company re-measures the fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

l) Impairment

(i) Financial assets
Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Non-financial assets
The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. Cash-generating units to which goodwill has been allocated reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

m) Transaction Costs

Transaction costs, other than in respect of financial assets held for trading which are expensed as incurred, are added to the initial fair value of the acquired financial asset or financial liability. The Company has selected this method as it believes that this results in a better matching of the transaction costs with the periods benefiting from the transaction costs.

n) Goodwill

Goodwill is recognized as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired, less the fair value of the net identifiable assets acquired and liabilities assumed, as of the acquisition date. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill acquired through a business combination is allocated to each cash-generating unit ("CGU"), or a group of CGUs, that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

o) Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts when management estimates collectability to be uncertain. Accounts receivable are continually reviewed to determine which, if any, accounts are doubtful of collection. In making the determination of the appropriate allowance amount, the Company considers current economic and industry conditions, relationships with each significant customer, overall customer credit-worthiness and historical experience. If events indicate that specific receivable balances may be impaired, further consideration is given to those balances and the allowance is adjusted accordingly. Accounts are written off when the Company's efforts to collect are unsuccessful. During the nine month period ended September 30, 2012, the Company recorded an allowance for doubtful accounts of $Nil (2011 - $Nil).

p) Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purposes for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit and loss:
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of operations. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables are comprised of trade and other receivables, contract work-in-progress, and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost:
Financial liabilities at amortized cost include trade payables and accrued liabilities, deferred revenue, and debt. Financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iv) Share capital:
Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. When

share capital is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are subsequently reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

r) Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Receivables with a short-term duration are not discounted.

s) Earnings (loss) per share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period, adjusted for treasury shares. Diluted earnings per share is calculated using the treasury stock method. Under the treasury stock method, the dilution is calculated based upon the number of common shares issued should “in the money’ options, if any, be exercised. When the effects of outstanding stock based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated.

t) Government assistance

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and all the conditions attached to it will be complied with.

When the grant relates to an asset it is recognized in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the grant relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

u) Future accounting pronouncements

The following five new Standards were issued by the IASB in May 2011, and are effective for annual periods beginning on or after January 1, 2013. Early application is permitted if all five Standards are adopted at the same time.

Consolidated Financial Statements - IFRS 10 Consolidated Financial Statements (“IFRS 10”) will replace existing guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements, and SIC 12 Consolidation – Special Purpose Entities. The portion of IAS 27 that deals with separate financial statements will remain. IFRS 10 changes the definition of control, such that the same consolidation criteria will apply to all entities. The revised definition focuses on the need to have both “power” and “variable returns” for control to be present. Power is the current ability to direct the activities that significantly influence returns. Variable returns can be positive, negative or both. IFRS 10 requires continuous assessment of control of an investee in line with any changes in facts and circumstances.

Joint Arrangements - IFRS 11 Joint Arrangements ("IFRS 11") will replace IAS 31 Interests in Joint ventures, and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 defines a joint arrangement as an arrangement where two or more parties contractually agree to share control. Joint control exists only when the decisions about activities that significantly affect the returns of an arrangement require the unanimous consent of the parties sharing control. The focus is not solely on the legal structure of joint arrangements, but rather on how the rights and obligations are shared by the parties to the joint arrangement. IFRS 11 eliminates the existing policy choice of proportionate consolidation for jointly controlled entities. In addition, the Standard categorizes joint arrangements as either joint operations or joint ventures.

Disclosure of Interests in Other Entities - IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") is the new Standard for disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. Matters covered include information about the significant judgments and assumptions that any entity has made in determining whether it has control, joint control or significant influence over another entity.

Separate Financial Statements - IAS 27 Separate Financial Statements ("IAS 27") has been updated to require an entity presenting separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. The amended IAS 27 excludes the guidance on the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent currently within the scope of the current IAS 27 Consolidated and Separate Financial Statements that is replaced by IFRS 10.

Investments in Associates and Joint Ventures - IAS 28 Investments in Associates and Joint ventures ("IAS 28") has been revised and it is to be applied by all entities that are investors with joint control of, or significant influence over, an investee. The scope of IAS 28 Investments in Associates does not include joint ventures.

IFRS 13 Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011, and is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. IFRS 13 was issued to remedy the inconsistencies in the requirements for measuring fair value and for disclosing information about fair value measurement in various current IFRSs. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.
The IASB has issued an amendment to IFRS 7, Financial Instruments: Disclosures ("IFRS 7"), requiring incremental disclosures regarding transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment at the beginning of its 2012 financial year. The Company does not expect the implementation to have a significant impact on the Company's disclosures.

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IA 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

The IASB has issued an amendment to IAS 1, Presentation of Financial Statements ("IAS 1"), which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they might at some point be reclassified from OCI to profit or loss at a later date when specified conditions are met. By requiring items of OCI to be grouped on this basis, their potential effect on profit or loss in future periods will be clearer. This amendment is effective for annual periods beginning on or after July 1, 2012 and requires full retrospective application. The Company does not expect IAS 1 to have a material impact on the financial statements.

Note 3 – Revenue

Revenue

The Company generated revenue from merchandise resale and service and maintenance fees during the nine month period ended September 30, 2012.

During the nine month period ended September 30, 2012, the Company recognized $14,564,944 of revenue from the merchandise sales in China (same period in 2011: $14,694,931). Within this amount, $14,564,944 (same period in 2011: $14,694,931) was generated by Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), a subsidiary in China.

The Company recorded $1,172,848 (same period in 2011: $441,497) of revenue from service and maintenance fees during the nine month period ended September 30, 2012. Within this amount, $1,023,095 (same period in 2011: $356,971) was made by XCXD. This revenue is mainly generated from software development and maintenance services.

Note 4 – Restricted Cash

The Company's subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd ("XCXD") is required to maintain a deposit of RMB 2,000,000 (equivalent to $313,000 as of September 30, 2012 and RMB2,000,000 equivalent to $323,200 as of December 31, 2011) with its financial institution for its short term loan account. The restricted cash earns interest at the prime rate (3.10% for savings in 2012 and 2011) and is redeemable when the loan is paid off.

The company has pledged cash, RMB10M (equivalent to $1,565,000 as of September 30, 2012), as security deposit pledge for two counter-guarantee contracts. The first counter-guarantee contract incorporates two already-signed contracts as the basis: (1) standard bank RMB10M loan contract between XCXD and China Construction Bank - "Main Contract", and (2) standard guarantor appointment contract between XCXD and China Fortune Investment Guarantee Company (CFIG) to appoint CFIG as XCXD's guarantor - "Guarantor Appointment Contract". The second counter-guarantee contract incorporates two already-signed contracts as the basis: (1) standard bank RMB10M loan contract between XCXD and Communication Bank - "Main Contract", and (2) standard guarantor appointment contract between XCXD and China Fortune Investment Guarantee Company (CFIG) to appoint CFIG as XCXD's guarantor - "Guarantor Appointment Contract".

In summary, XCXD will provide a counter-guarantee to CFIG for CFIG being the guarantor of the bank loans in order to ensure the fulfillment of the Main Contract (RMB20M loan) and the Guarantor Appointment Contracts. XCXD will pledge the collateral (RMB5M to the contract) to CFIG, as a counter-guarantee for the responsibility and obligation for XCXD to fulfill the contracts.

Note 5 – Amounts Receivable

	September 30, 2012	December 31, 2011	September 30, 2011
Accounts receivable	$ 1,203,891	$ 1,140,612	$ 1,182,863
Miscelleneous receivable	1,525	1,262	13,121
Total amounts receivable	$ 1,205,416	$ 1,141,874	$ 1,195,984

Note 6 – Inventory

	September 30, 2012	December 31, 2011	September 30, 2011
Finished Goods	$ 3,829,257	$ 2,874,465	$ 2,589,534

Note 7 - Capital Assets

	Furniture & Fixtures	Computers & Office Equipment	Leasehold Improvement	Total
Asset Costs				
Balance Dec 31, 2010	22,872	261,788	168,525	453,185
Foreign Exchange	394	18,435	10,251	29,080
Additions	-	217,850	-	217,850
Disposals	(17,323)	(151,852)	-	(169,175)
Balance Dec 31, 2011	$ 5,943	$ 346,220	$ 178,776	$ 530,940
Foreign Exchange	(110)	(6,316)	(2,874)	(9,301)
Additions	-	23,556	-	23,556
Disposals	-	-	-	-
Balance Mar 31, 2012	$ 5,833	$ 363,460	$ 175,902	$ 545,195
Foreign Exchange	66	4,057	1,724	5,848
Additions	-	3,465	-	3,465
Disposals	-	-	-	-
Balance Jun 30, 2012	$ 5,899	$ 370,983	$ 177,626	$ 554,508
Foreign Exchange	(143)	(8,838)	(3,736)	(12,717)
Additions	-	10,911	-	10,911
Disposals	-	-	-	-
Balance Sep 30, 2012	$ 5,756	$ 373,056	$ 173,890	$ 552,702
Accumulated Depreciation				
Balance Dec 31, 2010	11,102	103,659	46,672	161,433
Foreign Exchange	145	7,341	1,611	9,097
Amortization of the period	2,556	146,679	43,562	192,798
Disposals	(10,436)	(130,263)	-	(140,699)
Balance Dec 31, 2011	$ 3,367	$ 127,417	$ 91,845	$ 222,629
Foreign Exchange	(63)	(2,339)	(1,260)	(3,662)
Amortization of the period	289	25,634	10,688	36,612
Disposals	-	-	-	-
Balance Mar 31, 2012	$ 3,594	$ 150,712	$ 101,273	$ 255,579
Foreign Exchange	41	1,686	877	2,604
Amortization of the period	266	25,902	10,810	36,978
Disposals	-	-	-	-
Balance Jun 30, 2012	$ 3,901	$ 178,299	$ 112,960	$ 295,160
Foreign Exchange	(95)	(4,275)	(2,164)	(6,534)
Amortization of the period	237	24,974	10,547	35,759
Disposals	-	-	-	-
Balance Sep 30, 2012	$ 4,044	$ 198,999	$ 121,343	$ 324,385
Carrying Amounts				
At December 31, 2010	$ 11,770	$ 158,128	$ 121,853	$ 291,752
At December 31, 2011	$ 2,576	$ 218,804	$ 86,931	$ 308,311
At March 31, 2012	$ 2,239	$ 212,749	$ 74,629	$ 289,616
At June 30, 2012	$ 1,998	$ 192,684	$ 64,666	$ 259,348
At September 30, 2012	$ 1,712	$ 174,057	$ 52,547	$ 228,316

During the nine month period ended September 30, 2012, the Company recorded depreciation of $118,641 (same period in 2011 - $121,676).

Note 8 - Goodwill

		2012
Balance, January 1, 2008	$	-
Acquisition of XCXD on October 1, 2009		306,926
Balance, December 31, 2009, 2010 and 2011	$	306,926
Change in Q1, 2012	$	-
Change in Q2, 2012	$	-
Change in Q3, 2012	$	-
Balance, September 30, 2012	**$**	**306,926**

Note 9 – Net Income attributable to non-controlling Interest (NCI)

Balance – September 30, 2009	$	-
Acquisitions on October 1, 2009		186,519
Net income attributable to non-controlling interest - Q4 2009		315,973
Balance – December 31, 2009		502,492
Net income attributable to non-controlling interest - 2010		11,564
Balance – December 31, 2010	$	514,056
Net income attributable to non-controlling interest - 2011		(122,956)
Balance – December 31, 2011	$	391,100
Net income attributable to non-controlling interest - Q1 2012		(84,357)
Net income attributable to non-controlling interest - Q2 2012		29,125
Cash attributable to non-controlling interest - Q3 2012		310,800
Net income attributable to non-controlling interest - Q3 2012		10,851
Balance – September 30, 2012	$	657,520

The Company's foreign subsidiary XCXD comprehensive gain of $21,702 and comprehensive loss $88,762 for the three month and nine month period ended September 30, 2012 (net gain and net loss same period in 2011 – $110,355 and $24,776). Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of comprehensive net income $10,851 and comprehensive net loss $44,380 (net loss and net gain 2011: $110,335 and $74,328) for the three month period and nine month period ended September 30, 2012 was deducted from the net income.

XCXD has increased in its equity from RMB1M to RMB3M in August 2012. However, this would not change the control rights and interests of the Company over XCXD. The increase in equity therefore is reflected as cash attributable to the non-controlling interest.

Note 10 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2012 consisted of accounts payable and accrued expenses, wages and vacation payable, payroll remittances and customer deposits.

	September 30, 2012	December 31, 2011	September 30, 2011
Accounts payable and accrued expenses	$ 1,010,893	$ 845,096	$ 1,199,459
Wages and vacation payable	6,396	86,565	1,295
Payroll remittances	940	303	658
Sales Tax Payable	2,714	5,767	17,698
Customer deposits	79,132		-
Total accounts payable and accrued liabilities	$ 1,100,075	$ 937,731	$ 1,219,110

Note 11 - Short Term Loan

Continuity	2012	2011
Balance, January 1	$ 4,552,714	$ 3,300,937
Foreign exchange	$ (143,681)	$ (37,187)
Short term loans received	2,546,896	1,600,170
Repayment of principals	(1,565,000)	
Balance, September 30	$ 5,390,929	$ 4,863,920
Foreign exchange		$ 404,240
Short term loans received		
Repayment of principals		(715,446)
Balance, December 31	$ 5,390,929	$ 4,552,714

Outstanding balance at:	2012	2011
a) Short term loan received on May 27, 2009	$ 2,182,679	$ 1,320,714
b) Short term loan received on February 18, 2011	-	1,616,000
c) Short term loan received on November 17, 2011	1,565,000	1,616,000
d) Short term loan received on March 14, 2012	1,565,000	-
e) Short term loan received on September 13, 2012	78,250	-
	$ 5,390,929	$ 4,552,714

As at September 30, 2012, the Company had total short term loans outstanding of RMB34,468,830 (equivalent to $5,390,929). As of December 31, 2011, the Company had total short term loans of RMB 28,172,735 (equivalent to $4,552,714). The outstanding short term loans were comprised of the following facilities:

a) On May 27, 2009, RMB 5,000,000 (equivalent to $770,000 as of December 31, 2009) was received from Standard Chartered Bank. The loan bears variable interest at prime plus 1.25% per annum. This loan is revolving every six months. During the year ended December 31, 2010, the Company made a repayment of RMB1,000,000 (equivalent to $152,219) in June 2010. On June 22, 2010, the agreement has been renewed to June 21, 2015 and extended the loan limit to RMB10,000,000 (equivalent to $1,539,000 as of December 31, 2010) with 90 day revolving credit and it bears variable interest rate at prime plus 1.25% per annum. On October 20, 2011, there is an additional agreement to extend the loan limit to RMB14,000,000 (equivalent to $2,191,000 as of September 30, 2012) with 90 day revolving credit and bears variable interest rate at prime plus 2.75% per annum with the same expiry date. The outstanding loan balance is RMB 13,946,832 (equivalent to $2,182,679) as of September 30, 2012 (December 31, 2011 – RMB 8,172,735 equivalent to $1,320,714).

b) On February 18, 2011, RMB10,000,000 (equivalent to $1,616,000 as of December 31, 2011) was received from China Construction Bank. The loan has a term of one year and bears fixed interest at 6.06% per annum. Monthly interest payment applies and the principal amount is due on February 17, 2012. As of September 30, 2012, the loan balance has been fully repaid.

c) On November 17, 2011, RMB10,000,000 (equivalent to $1,616,000 as of December 31, 2011) was received from the Bank of Communications. The loan has a term of one year and bears fixed interest at prime rate times 1.3 per annum. Quarterly interest payment applies and the principal amount of RMB1M is due on November 1, 2012 and the remaining principal amount of RMB9M is due on November 16, 2012. As of September 30, 2012, the outstanding loan balance is RMB10,000,000 (equivalent to $1,575,000 as of September 30, 2012).

d) On March 14, 2012, RMB10,000,000 (equivalent to $1,586,000 as of March 31, 2012) was received from the China Construction Bank. The loan has a term of one year and bears fixed interest at prime rate times 1.35 per annum. Monthly interest payment applies and the principal amount of RMB10M is due on March 13, 2013. As of September 30, 2012, the outstanding loan balance is RMB10,000,000 (equivalent to $1,565,000 as of September 30, 2012).

e) On September 13, 2012, RMB500,000 (equivalent to $78,250 as of September 30, 2012) was received from the Alipay on line. The loan is of a day to day basis and bears fixed interest of 0.06% per day. This loan has been repaid on October 8, 2012.

The prime rate for short term loans in China was 5.31% in 2009. In 2010, the People's Bank of China announced an increase of 0.25% in its benchmark interest rate twice, on October 20, 2010 and December 26, 2010, which resulted in a prime rate of 5.81%. In 2011, the benchmark interest rate has been raised three times, each time at 0.25%, on February 8, 2011, April 6, 2011 and July 6, 2011. On June 8, 2012, the benchmark interest rate for one year loan has been reduced by 0.25%. On July 6, the benchmark interest rate has been reduced again. As of September 30, 2012, the benchmark interest rate is at 6%.

During the three month and nine month period ended September 30, 2012, the Company recorded total interest expense on short term loan of $129,851 and $327,854 (2011 - $90,360 and $239,574 offset by $22,350 (RMB150,000), a government subsidy for business on interest expense was received in May, 2011 for interest expensed in 2010.).

Note 12 - Long Term Loan

As at September 30, 2012, the Company has no long-term loan outstanding.

A Long Term loan of RMB 800,000 received from Standard Chartered Bank in China on April 27, 2009 bearing an interest at 21% and repayable in 36 monthly installments at approximately $4,600 per month starting from May 27, 2009 to April 27, 2012. The carrying value of the loan is RMBnil (equivalent to $nil) as of September 30, 2012 (December 31, 2011 – RMB115,465 equivalent to $18,659). Within this amount, RMBnil (equivalent to $nil) is due within one year and classified as a current liability as of September 30, 2012 (December 31, 2011 – RMB115,465 equivalent to $18,659).

During the three month and nine month period ended September 30, 2012, $nil and $809 (same period in 2011 - $1,992 and $7,624) of interest paid on the long-term loan was recognized in expenses.

Note 13 - Share Capital

The authorized share capital of the Company is an unlimited number of common shares without par value.

	Number of Shares	Share Capital	Reserves Warrants	Reserves Options
Balance, December 31, 2009	31,361,285	$ 5,610,417	$ 2,606,979	$ 724,419
Fair value of options granted on November 10, 2009				7,055
Shares issued by private placement on June 17, 2010	7,000,000	350,000		
-Issuance cost		(5,152)		
Balance, December 31, 2010	38,361,285	$ 5,955,265	$ 2,606,979	$ 731,474
Shares issued by private placement on April 28, 2011	6,100,000	650,953	145,102	
-Issuance cost		(22,871)		
Fair value of options granted on August 29, 2011				34,229
Fair value of options granted on December 7, 2011				68,906
Options exercised	180,000	23,200		(7,200)
Options expired		88,460		(88,460)
Balance, December 31, 2011	44,641,285	$ 6,695,007	$ 2,752,081	$ 738,948
Fair value of options granted on August 29, 2011				6,340
Fair value of options granted on December 7, 2011				16,037
Warrants exercised	50,000	11,830	(2,328)	
Option expired		1,530		(1,530)
Balance, March 31, 2012	44,691,285	$ 6,708,367	$ 2,749,753	$ 759,795
Fair value of options granted on August 29, 2011				6,340
Fair value of options granted on December 7, 2011				16,037
Warrants exercised	850,000	201,087	(39,587)	
Warrants expired		100,132	(100,132)	
Option exercised	30,000	2,700		(1,200)
Share Issuance cost (warrants expired)		3,055	(3,055)	
Balance, June 30, 2012	45,571,285	$ 7,015,340	$ 2,606,979	$ 780,972
Fair value of options granted on August 29, 2011				4,111
Fair value of options granted on December 7, 2011				16,213
Balance, September 30, 2012	45,571,285	$ 7,015,340	$ 2,606,979	$ 801,296

On June 17, 2010, the Company completed a private placement for 7,000,000 common shares at a price of $0.05 per share for total gross proceeds of $350,000. All shares issued with respect to the private placement are subject to a hold period that expires four months and a day from the closing. In connection with the private placement, the Company paid legal fees of $5,152 as share issuance costs.

On April 28, 2011, the Company completed another private placement for 6,100,000 common shares at a price of $0.13 per share for total gross proceeds of $793,000. Each Unit consisted of one common share (a "Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Share at a price of $0.19 for a period of one year from the date of issue. All shares issued with respect to the private placement are subject to a hold period that expires four months and a day from the closing. In connection with the private placement, the Company paid legal fees of $7,041 and a cash commission $12,740, equal to 7% of the gross proceeds derived from the sale of units placed by each of Mackie Research Capital Corporation ("Mackie") and Raymond James Ltd. In addition, the Company issued to Mackie the number of compensation warrants representing 5% of the number of units placed by Mackie. These are all under share issuance costs.

Stock option plan

The Company has established three stock option plans under which stock options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or Company permitted by the applicable regulatory authorities to purchase unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the common shares of the corporation.

	2012		2011	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding, beginning of year	2,279,000	0.26	1,590,000	0.26
Exercised	(30,000)	0.05	(180,000)	0.09
Expired	(9,000)	0.30	(481,000)	0.28
Outstanding, September 30	2,240,000	0.19	929,000	0.28
Exercisable, September 30	1,740,000	0.20	929,000	0.28

On January 2, 2009, the Company granted 200,000 new options at an exercise price of $0.12 to one of its officers. These granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.04.

On November 10, 2009, the Company granted 410,000 new options at an exercise price of $0.05 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.04.

On August 29, 2011, the Company granted 400,000 new options at an exercise price of $0.15 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.13.

On December 7, 2011, the Company granted 1,000,000 new options at an exercise price of $0.15 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.13.

Amount expired is due to fully vested option expired. Amount forfeited is due to the cancellation of consulting services with consultants, the termination of employment during the vesting period or in the case options vested, options were out of the money.

There were 30,000 options being exercised at exercise price of $0.05 and 9,000 options being expired at exercise price of $0.30 during the nine month period ended September 30, 2012.

	Options Outstanding		Options Exercisable	
Exercise Price ($)	Number of options	Weighted average remaining life (Years)	Number of options	Weighted average remaining life (Years)
0.05	150,000	2.11	150,000	2.11
0.15	1,400,000	4.11	900,000	4.07
0.30	690,000	0.64	690,000	0.64
	2,240,000	2.91	1,740,000	2.54

Assumptions

The fair value of the options and warrants has been estimated by using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.30 - 3.85%
Dividend yield	-
Volatility	80% - 150%
Expected life	1 year to 5 years

Warrants

	2012		2011	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Outstanding, beginning of year	3,100,000	0.19	-	-
Issued			3,100,000	0.19
Exercised	(900,000)	0.19	-	-
Expired	(2,200,000)	0.19	-	-
Outstanding, September 30	-	-	3,100,000	0.19
Exercisable, September 30	-	-	3,100,000	0.19

Pursuant to the term of the private placement took place on April 28, 2011, the Company issued 3,100,000 share purchase warrants with an exercise price of $0.19 exercisable for a period of one year from the date of issue. Within the warrants issued, 50,000 warrants were issued to Mackie Research as part of the finder's fee.

During the nine month period ended September 30, 2012, 900,000 warrants were being exercised at $0.19 and 2,200,000 expired as on April 28, 2012.

Note 14 - Related Party Transactions

The Company had the following transactions with directors and officers of the Company:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Short-term employee benefits				
- Salaries and severance	$ 42,900	$ 42,900	$ 128,700	$ 132,215
- Professional fees	18,000	18,000	54,000	49,500
- Director fees	4,000	4,000	12,000	8,400
	$ 64,900	$ 64,900	$ 194,700	$ 190,115
Share-based payments	2,679	-	10,899	-
	$ 67,579	$ 64,900	$ 205,599	$ 190,115

Short-term employee benefits correspond to the amounts paid during the year and share-based payments correspond to the amounts recorded as expenses. During the nine month period ended September 30, 2012, the Company paid $128,700 (same period in 2011: $132,215) in salaries to its management. Also, the Company paid $54,000 (same period in 2011: $49,500) in professional fees to one of its officers and paid $12,000 (same period in 2011: $8,400) as director fees.

	September 30, 2012	December 31, 2011	September 30, 2011
Accounts payable	$ 94,941	$ 24,205	$ 29,008
Due to Shareholders of Fireswirl Technologies Inc.	538,327	282,954	162,686
Due to Shareholders of XCXD	1,332,153	714,591	1,058,200
	$ 1,965,421	$ 1,021,750	$ 1,249,894

As of September 30, 2012, the accounts payable balance included $94,941 (December 31, 2011: $24,205) incurred from regular operational expenses outstanding to officers of the company. As of September 30, 2012, the Company also had $538,327 (December 31, 2011: $282,954) due to a shareholder of Fireswirl Technologies Inc. and $1,332,153 due to a shareholder of XCXD (December 31, 2011: $714,591).

All of the above transactions were in the normal course of operations and are measured and recorded at the exchange amount of consideration established and agreed to by the related parties.

Note 15 - Segmented Information

The Company's sales revenues are allocated to geographic segments as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
China	$ 6,344,638	$ 5,933,468	$ 15,617,740	$ 15,061,999
United Kingdom	39,745	11,795	57,117	19,683
USA	35,390	12,218	62,935	54,746
	$ 6,419,773	$ 5,957,481	$ 15,737,792	$ 15,136,428

No customer accounted for greater than 10% of the Company’s sale during the nine month period ended September 30, 2012 and 2011.

The Company's long-term assets are located in Canada and China at September 30, 2012 as follows:

	China	Canada	Total
Capital Assets	$ 224,005	$ 4,312	$ 228,317
Goodwill	306,926		306,926
Trademark	19,176		19,176
Total	$ 550,107	$ 4,312	$ 554,419

The Company's long-term assets are located in Canada and China at December 31, 2011 as follows:

	China	Canada	Total
Capital Assets	$ 303,832	$ 4,479	$ 308,311
Goodwill	306,926		306,926
Trademark	19,176		19,176
Total	$ 629,934	$ 4,479	$ 634,413

Note 16 - Credit Risk and Financial Instruments

Credit risk

The Company grants credit to its customers in the normal course of business. Credit evaluations are performed on a regular basis and the financial statements take into account an allowance for bad debts. The business also depends on new customers using the product and there is additional risk when credit is granted to new and unproven customers. Credit evaluations are also performed on new customers.

There were no overdue accounts receivables outstanding as of September 30, 2012. As at September 30, 2012, there is one individual balance over 10% of the total AR Balance and accounted for $789,768 (RMB5,046,444) while as at December 31, 2011, $717,688 (RMB4,441,140) due from one customer balance over 10% of the total AR Balance was included in the balance of accounts receivable.

Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company currently does not use derivative instruments to hedge its exposure to those risks. Most of the Company's businesses are organized geographically so that many of its expenses are incurred in the same currency as its revenues thus mitigating some of its exposure to currency fluctuations.

	September 30, 2012	December 31, 2011	September 30, 2011
US dollars:			
- Cash and cash equivalents	$1,722 (US$1,793)	$339 (US$333)	$8,041(US$7,740)
- Accounts receivable	$59,713 (US$60,7802)	$16,517 (US$16,269)	$9,359(US$9,009)
Hong Kong Dollars			
- Cash and cash equivalents	$713 (HK$5,620)	$1,736 (HK$13,266)	$19,759(HK$148,010)
- Accounts receivable		$2,618 (HK$20,000)	
China Yuan Renminbi			
- Cash and cash equivalents	$334,332 (￥2,136,304)	$68,441 (￥423,521)	$554,372(￥3,349,949)
- Restricted cash	$1,878,000 (￥12,000,000)	$1,696,800 (￥10,500,000)	$1,953,600(￥12,000,000)
United Kingdom Pounds			
- Accounts receivable	$6,348 (£4,000)	$3,950 (£2,500)	$3,960(£2,500)

Foreign currency sensitivity analysis

The Company is mainly exposed to fluctuations in the Chinese RMB, US dollar and HK dollar. The major currency exposures, as of September 30, 2012, are summarized in Canadian dollar equivalents in the following table. The local currency amounts have been converted to Canadian dollar equivalents using the quarter end exchange rates.

	Chinese RMB in CAD	US dollar in CAD	HK dollar in CAD
Cash	$ 334,332	$ 1,722	$ 713
Restricted cash	1,878,000	-	-
Accounts Receivable	1,133,979	59,713	-
Other financial assets	1,872,155	-	56,357
Accounts payable and accrued liabilities	(760,228)	(79,132)	(156,609)
Other financial liabilities	(5,390,929)	-	-
Shareholder loans	(1,332,154)	-	(538,327)
Net financial assets	$ (2,264,845)	$ (17,697)	$ (637,866)

The following table details the Company's sensitivity, with regards to the above net asset position, to a 1% strengthening of the Chinese RMB, US dollar and HK dollar, against the Canadian dollar. The sensitivity analysis includes foreign currency denominated monetary assets and liabilities and adjusts their translation at period end for a 1% change in foreign currency rates. For a 1% weakening against the Canadian dollar, there would be an equal and opposite impact on net income and comprehensive income.

	Chinese RMB in CAD	US dollar in CAD	HK dollar in CAD
Net income	$ (22,648)	$ (177)	$ (6,379)
Comprehensive income	$ (22,648)	$ (177)	$ (6,379)

Fair Value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.
The fair value hierarchy established by CICA Handbook Section 3862 – Financial Instruments – Disclosures (“Section 3862”) establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The Company's financial instruments include cash, accounts receivable, HST recoverable, deposits and prepayments, accounts payable and accrued liabilities, short term loans, loans from shareholders, and long-term loans.

The fair value of accounts receivable, deposits and prepayments, loan receivable, accounts payable and accrued liabilities, and short term loans is approximately equal to their carrying values due to their short-term maturity.
The fair value of long-term loan approximates its amortized costs using the effective interest method.
The fair value of loan from shareholders could not be determined as there are no fixed terms of repayment.

The following table is a classification of fair value measurements recognized using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as at September 30, 2012:

Assets	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 340,856	$ -	$ -	$ 340,856
Restricted Cash	1,878,000	-	-	1,878,000
Total Financial Assets	$ 2,218,856	$ -	$ -	$ 2,218,856

Interest Risk

The Company is exposed to interest rate risk on the utilized portion of its credit facilities and does not currently hold any financial instruments that mitigate this risk. Interest rate fluctuations on the current level of borrowings will have significant impact on company's financial position.

Interest risk sensitivity analysis

Management has completed a sensitivity analysis to estimate the impact on net loss for the period which a change in interest rates during the nine month period ended September 30, 2012 would have had.

This sensitivity analysis includes the following assumption:

- Changes in foreign exchange rate do not cause a change in interest rates.

The impact on net loss of a +/- 5% change in the interest rate is +/- $11,014 (same period 2011 - +/- $7,558).

The above results arise primarily as a result of the Company bearing variable interest rates based on the prime rate for the short term loans and long term loan.

Limitations of sensitivity analysis

The analysis above demonstrates the effect of a change in interest rates in isolation. There is a correlation between a change in interest rates and foreign exchange rate, which if considered could cause the results above to vary.

Additionally, the Company's financial position may vary at the time that a change in either of interest risk or foreign exchange rate occurs, causing the impact on the Company's results to differ from that shown above.

Liquidity Risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and the issuance of equity. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows.

As at September 30, 2012, the Company has accounts payable and accrued liabilities of $1,100,075 due within 12 months (December 31, 2011 - $937,731). As at September 30, 2012 the Company has short term loans of $5,390,929 (December 31, 2011 - $4,552,714), see note 11. As at September 30, 2012, the Company is holding cash and cash equivalents of $340,856 (December 31, 2011 - $75,677).

The Company reported a net loss attributable to common shares of $604,002 for the nine month period ended September 30, 2012 compared to a net loss attributable to common shares of $935,632 for the same period of 2011, representing a decrease in loss of 35%.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. To the extent the Company is unable to cover its ongoing cash requirements through operations; the Company expects to raise additional equity financing to cover any shortfall. There can be no assurance that such financing and profitability will occur in the amounts and with terms expected. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern.

In the event that cash flow from operations, if any, together with the proceeds of any future financings, are insufficient to meet the Company's current operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company's best interest. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, access to financing, and improving financial performance, management assesses the Company's overall liquidity risk to be low.

Note 17 - Commitments and Contingencies

(a) The Company has lease obligations to April 30, 2015. The future annual minimum payments under operating leases is $20,406 to the end of this year and $41,528 annually onward.

(b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease expires on September 12, 2012 and is looking for an alternative location. The current landlord agreed to lease the premise on a month by month basis for two to three months.

(c) A foreign subsidiary XCXD has a lease obligation of $10,934 (RMB68,166) per month until the lease expires on December 1, 2013.

(d) A foreign subsidiary XCXD has a lease obligation of $78,596 (RMB490,000) in September 2012 as prepaid rent for a lease that will expire on September 15, 2013.

Note 18- Capital Management

The Company has defined its capital as capital stock, contributed surplus and retained earnings.

The following table summarizes certain information with respect to the Company's capital structure at the end of each period:

	September 30, 2012		December 31, 2011		September 30, 2011	
Shareholder Equity	$	750,580	$	1,248,785	$	1,436,267

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

The Company normally finances its property and equipment purchases with cash.

Note 19 – Supplemental Disclosure with Respect to Cash Flows

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Cash paid during the period for interest	$129,851	$92,352	$328,679	$247,198
Cash paid during the period for income taxes	$14,915	$0	$14,915	$4,551

During the nine month period ended September 30, 2012, cash used in Income taxes of $14,915 were incurred from XCXD's operations in China (same period in 2011 - $4,551).

There were no significant non-cash transactions during the nine month period ended September 30, 2012 and 2011.

Note 20 - Subsequent Event

There is no subsequent event.

Note 21 – Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.