Consolidated Interim Financial Statements of
(Expressed in Canadian Dollars)

FIRESWIRL TECHNOLOGIES INC.

For the Nine months ended September 30, 2013 and 2012

(Unaudited)

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 584,025	$ 594,921
Restricted cash	4	882,168	319,400
Amounts receivable	5	657,336	1,427,516
GST/VAT recoverable		-	21,428
Deposits and prepayments		3,837,192	961,883
Inventory	6	3,007,589	2,762,382
		8,968,310	6,087,530
Property and equipment	7	183,746	239,480
Trademark		19,176	19,176
Goodwill	8	306,926	306,926
TOTAL ASSETS		$ 9,478,158	$ 6,653,112
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 1,045,492	$ 927,188
Taxes payable		9,075	14,448
Loans from shareholders	14	2,051,731	593,653
Short term loan	11	4,803,819	3,799,683
Total Current Liabilities		7,910,117	5,334,972
TOTAL LIABILITIES		7,910,117	5,334,972
SHAREHOLDERS' EQUITY			
Common shares	13	7,678,277	7,020,090
Share-based payments reserve - warrants	13	2,606,979	2,606,979
Share-based payments reserve - options	13	720,003	808,353
Contribution surplus	9	155,400	155,400
Accumulated Other Comprehensive Income		189,414	121,817
Accumulated Deficit	1	(10,364,257)	(9,911,031)
Total equity attributable to equity holders of company		985,816	801,608
Non-controlling interest	9	582,225	516,532
TOTAL EQUITY		1,568,041	1,318,140
Total Liabilities and Shareholders' Equity		$ 9,478,158	$ 6,653,112

See accompanying notes to the consolidated financial statements.

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 18)

On behalf of the Board:

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

Tony Lau
CEO

Ji Yoon
Interim CFO

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Comprehensive Loss
(Expressed in Canadian Dollars)

		Three months end		Nine months ended	
	Note	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Operating revenues					
Sales revenue		13,294,351	5,815,967	30,608,045	14,564,944
Service revenue		1,323,288	603,807	3,153,212	1,172,848
	3	14,617,639	6,419,773	33,761,257	15,737,792
Other operating income		-	-	131	-
Total operating income		14,617,639	6,419,773	33,761,388	15,737,792
Operating expenses					
Purchases	6	12,833,831	5,344,922	29,108,137	12,741,586
Delivery charges		146,037	90,557	403,555	345,003
Other related expense		581,594	188,402	1,549,846	478,317
Foreign Exchange (gain)/loss		580	1,493	5,197	2,765
Depreciation and amortization	7	41,413	38,149	119,520	118,641
Sales and marketing		13,537	53,582	79,136	134,958
General administration		240,700	227,697	639,012	689,538
Salaries and benefits		783,573	464,901	2,044,252	1,372,606
Share-based compensation	13	-	20,324	-	65,078
Loss on disposal of assets		-	-	-	2,385
Bad debt expense		-	-	5,833	-
Total operating expense		14,641,265	6,430,026	33,954,488	15,950,877
Operating Loss		(23,626)	(10,253)	(193,100)	(213,085)
Finance income		2,940	2,642	9,475	8,257
Finance costs	11,12	(106,768)	(129,851)	(197,420)	(328,734)
Loss before income tax		(127,454)	(137,462)	(381,045)	(533,563)
Income tax recovery (expenses)		(9,190)	(7,021)	(21,031)	(22,334)
Net loss for the period		(136,644)	(144,483)	(402,076)	(555,897)
Other comprehensive income/(loss)					
Foreign exchange currency adjustment		(38,536)	(35,894)	(53,052)	(224,265)
Net comprehensive loss		(175,180)	(180,377)	(455,128)	(780,163)
Loss attribute to:					
Common shares		(155,258)	(157,965)	(453,226)	(604,002)
Non-controlling interest		18,614	13,482	51,150	48,105
		(136,644)	(144,483)	(402,076)	(555,897)
Comprehensive loss attributable to:					
Common shares		(186,464)	(191,228)	(520,822)	(735,783)
Non-controlling interest	9	11,284	10,851	65,694	(44,380)
		(175,180)	(180,377)	(455,128)	(780,163)
Net income/(loss) per common share					
Basic and diluted		(0.00)	(0.00)	(0.01)	(0.01)
Comprehensive income/(loss) per common share					
Basic and diluted		(0.00)	(0.00)	(0.01)	(0.02)
Weighted average no. of Common Shares		47,283,242	45,571,285	46,148,208	44,916,426

See accompanying notes to the consolidated financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statement of Changes in Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Share-based payments reserve - Warrants	Share-based payments reserve - Options	Contribution surplus	Other comprehensive income	Accumulated deficit	Total	Non-controlling interest	Total equity
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							(1,092,658)	(1,092,658)	(223,579)	(1,316,237)
Compensation expense related to Stock Options				103,135				103,135		103,135
Options exercised	180,000	23,200		(7,201)				16,000		16,000
Options expired		88,460		(88,460)				-		-
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						181,103	-	181,103	100,623	281,726
Balance at December 31, 2011	44,641,285	6,695,007	2,752,081	738,948	-	223,382	(9,160,633)	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
Options 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	(9,388,397)	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
Options 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	-	124,864	(9,606,670)	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
Contribution by Shareholders (Note 9)					155,400			155,400	155,400	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	155,400	91,601	(9,764,636)	905,981	502,120	1,408,100
Net Income/(Loss) for the period							(146,395)	(146,395)	8,191	(138,205)
Compensation expense related to Stock Options				11,807				11,807		11,807
Contribution by Shareholders (Note 9)					-			-	-	-
Options expired		4,750		(4,750)				-		-
Foreign currency translation difference						30,216		30,216	6,221	36,437
Balance at December 31, 2012	45,571,285	7,020,090	2,606,979	808,353	155,400	121,817	(9,911,031)	801,608	516,532	1,318,140
Net Income/(Loss) for the period							(75,378)	(75,378)	1,231	(74,148)
Options expired		88,350		(88,350)				-		-
Foreign currency translation difference						32,879		32,879	6,650	39,530
Balance at March 31, 2013	45,571,285	7,108,440	2,606,979	720,003	155,400	154,696	(9,986,409)	759,110	524,413	1,283,522
Net Income/(Loss) for the period							(222,590)	(222,590)	31,306	(191,284)
Foreign currency translation difference						65,923		65,923	15,223	81,146
Balance at June 30, 2013	45,571,285	7,108,440	2,606,979	720,003	155,400	220,619	(10,208,999)	602,442	570,942	1,173,383
Net Income/(Loss) for the period							(155,258)	(155,258)	18,614	(136,644)
Issuance of shares	4,500,000	585,000						585,000		585,000
Share issuance costs		(15,163)						(15,163)		(15,163)
Foreign currency translation difference						(31,205)		(31,205)	(7,330)	(38,535)
Balance at September 30, 2013	50,071,285	7,678,277	2,606,979	720,003	155,400	189,414	(10,364,257)	985,816	582,225	1,568,041

See accompanying notes to the consolidated financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Three months end		Nine months end	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
OPERATING ACTIVITIES				
Loss for the period	$ (136,644)	$ (144,483)	$ (402,076)	$ (555,897)
Non cash items:				
Depreciation and amortization	41,413	38,149	119,520	118,641
Share-based compensation	-	20,324	-	65,078
Loss on fixed assets disposal	-	-	-	2,385
Bad Debt write offs	-	-	(5,833)	-
Changes in non-cash working capital items:				
Amounts receivable	(79,597)	114,202	791,608	(189,723)
Deposits and prepayments	(1,533,531)	(798,362)	(2,875,309)	(119,262)
Inventory	317,433	(621,844)	(245,208)	(954,791)
Accounts payable and accrued liabilities	(912,984)	(149,328)	118,305	162,345
Loan from shareholders	1,005,982	1,273,103	1,458,079	872,935
Income taxes payable	1,513	(8,101)	(5,374)	7,061
	(1,296,415)	(276,340)	(1,046,288)	(591,228)
INVESTING ACTIVITIES				
Acquisition of capital assets	(40,978)	(10,911)	(50,389)	(37,574)
	(40,978)	(10,911)	(50,389)	(37,574)
FINANCING ACTIVITIES				
Proceeds/(Repayment) of short term loan	454,733	75,008	1,004,136	838,265
Advance from related party	-	310,800	-	310,800
Repayment of long-term loan	-	0	-	(18,659)
Shares issued for cash	584,985		584,985	
Shares issued for warrants/options exercised			-	172,500
	1,039,718	385,808	1,589,121	1,302,906
Increase in cash during the period	(297,675)	98,557	492,444	674,104
Effect of foreign exchange	(50,519)	(32,101)	59,428	(227,725)
Cash and cash equivalents, beginning of the period	1,814,387	2,152,400	914,321	1,772,477
Cash and cash equivalents, end of the period	$ 1,466,193	$ 2,218,856	$ 1,466,193	$ 2,218,856
	-			
Supplemental disclosure with respect to cash flows				
Cash paid for:				
Interest	$ 124,526	$ 129,851	$ 265,880	$ 328,679
Income taxes	$ 7,562	$ 14,915	$ 24,730	$ 14,915

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 conducting e-commerce, including operating official online stores for international brands in China and reselling branded products on these online stores and technology development and deployment.

These consolidated 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. The Company reported a net loss attributable to common shares of $453,226 for the nine months ended September 30, 2013 compared to a net loss attributable to common shares of $604,002 for the same period of 2012, and experienced negative operating cash flows which were primarily funded by private placement proceeds and borrowing of short term loans.

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. There is no assurance the Company will be able to achieve profitable operations or continue raising funds in the future. These factors raise substantial doubt about the Company's ability to continue as a going concern.

As at September 30, the Company reported the following:

	September 30, 2013	December 31, 2012	September 30, 2012
Deficit	$ (10,364,257)	$ (9,911,031)	$ (9,764,636)
Working Capital	1,058,193	752,558	853,682

Note 2 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening International Financial Reporting Standards ("IFRS") consolidated statement of financial position at September 30, 2013 and 2012. 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 consolidated financial statements of the Company and its subsidiaries prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated interim financial statements were authorized for issue by the Board of Directors on November 14, 2013.

b) Basis of Presentation

The consolidated 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.

These consolidated 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%

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) Property and equipment

Property and equipment 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

Property and equipment 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 / (loss)

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 and translation gains or losses on translation of foreign operations to the presentation currency of the Canadian Dollar. Other comprehensive income is comprised of foreign currency translation gains and losses, 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) 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) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

Critical estimates in applying accounting policies

i) Sales allowances and returns

Sales allowances for customer promotions, discounts and returns are recorded as a reduction of revenue when the related revenue is recognized. Revenue from product sales is recognized upon passing of title to the customer, generally at the time of shipment. Revenue from product sales, less related sales allowances, is reflected as net sales in the consolidated income statements. The Company routinely commits to promotional sales allowance programs with customers. These allowances primarily relate to fixed programs, which the customer earns based on purchases of the Company's products during the year. Discounts and allowances are recorded as a reduction of related revenue at the time of sale. While many of the allowances are based on fixed amounts, certain of the allowances, such as the returns allowance, are based on market data, historical trends and information from customers, and are therefore subject to estimation.

For its allowance programs that are not fixed, such as returns, the Company estimates these amounts using a combination of historical experience and current market conditions. These estimates are reviewed periodically against actual results and any adjustments are recorded at that time as an increase or decrease to net sales. During the nine month period ended September 30, 2013, there have been no material adjustments to the Company's estimates made in prior years.

ii) Allowance for doubtful accounts

The Company's allowance for doubtful accounts is based on management's assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging, customer disputes and the collectability of specific customer accounts. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than the Company's historical experience, estimates of the recoverability of amounts due could be overstated, which could have an adverse impact on operating results. The allowance for doubtful accounts is also affected by the time at which uncollectible accounts receivable balances are actually written off.

Major customers' accounts are monitored on an ongoing basis; more in depth reviews are performed based on changes in customer's financial condition and/or the level of credit being extended. When a significant event occurs, such as a bankruptcy filing by a specific customer, and on a quarterly basis, the allowance is reviewed for adequacy and the balance or accrual rate is adjusted to reflect current risk prospects.

iii) Reserve for inventory obsolescence

The Company's values inventory at the lower of cost or net realizable value. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its net realizable value. Failure to accurately predict and respond to consumer demand could result in the Company under producing popular items or overproducing less popular items. Furthermore, significant changes in demand for the Company's products would impact management's estimates in establishing its inventory provision.

Management estimates are monitored on a quarterly basis and a further adjustment to reduce inventory to its net realizable value is recorded, as an increase to cost of sales, when deemed necessary under the lower of cost or net realizable value.

iv) Depreciation

The amounts recorded for depreciation are based on estimates including economic life of the asset and residual values of the asset at the end of its economic life. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation and maintenance programs.

v) Share-based compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan whereby notional shares are granted to employees, board of directors and key consultants. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The assumptions are discussed in note 13.

Critical judgments in applying accounting policies

The following are the critical judgments that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

i) Income taxes

The Company is subject to income taxes in Canada and in China. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations, and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change.

ii) Key assumptions used in discounted cash flow projections

Key assumptions used in the calculation of impairment tests and valuation of goodwill are forecast growth rates for revenue, estimated margins, discount rates, and other assumptions (Note 8).

iii) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

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, 2013, the Company recorded an allowance for doubtful accounts of $Nil (same period 2012 - $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, 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, 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.

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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 has applied 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.

The IASB has issued an amendment to IAS 32, Financial Instruments: Presentation. In December 2011, the IASB issued amendments to address inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify certain of the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The standard is required to be adopted retrospectively for annual periods beginning on or after January 1, 2013.

The IASB has issued an amendment to IAS 34, Interim Financial Statements. The amendment to IAS 34, issued in August 2012, clarify the requirements on segment information for total assets and total liabilities for each reportable segment. The amendment is effective for annual periods beginning on or after January 1, 2013

Note 3 – Revenue

The Company generated revenue from merchandise resale and service and maintenance fees during the nine month periods ended September 30, 2013 and 2012.

During the nine month period ended September 30, 2013, the Company recognized $30,608,045 of revenue from the merchandise sales in China (same period 2012: $14,564,944). All the amount was generated by Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), a subsidiary in China.

The Company recorded $3,153,212 (same period 2012: $1,172,848) of revenue from service and maintenance fees during the nine month period ended September 30, 2013. Within this amount, $2,929,862 (same period 2012: $1,023,095) was made by XCXD. This revenue is mainly generated from software development and maintenance services and sales-based service fee.

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 $336,000 as of September 30, 2013 and $319,400 as of December 31, 2012) with its financial institution for its short term loan account. The restricted cash earns interest at the prime rate (3.10% for savings in 2013 and 2012) and is redeemable when the loan is paid off.

The Company’s subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd (“XCXD”) is required to maintain a deposit of RMB 3,250,000 (equivalent to $546,000 as of September 30, 2013) with its financial institution for its short term loan account.

The Company’s subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd (“XCXD”) is required to maintain a deposit of RMB1,000 (equivalent to $168 as of September 30, 2013) with its financial institution for its short term loan account.

Note 5 – Amounts Receivable

	Total	Neither past due nor impaired	31 - 60 Days	61 - 90 Days	> 90 Days
September 30, 2013	$ 657,336	$ 392,463	$ 88,823	$ 19,125	$ 156,925
December 31, 2012	$ 1,427,516	$ 1,367,893	$ 51,286	$ -	$ 8,337

Note 6 – Inventory

	September 30, 2013	December 31, 2012
Finished Goods	$ 3,007,589	$ 2,762,382

For the nine month period ended September 30, 2013, inventory recognized as an expense in cost of sales amounted to $29,108,137 (same period 2012 - $12,741,586).

Note 7 - Property and equipment

	Furniture & Fixtures	Computers & Office Equipment	Leasehold Improvement	Total
Asset Costs				
Balance Dec 31, 2011	$ 5,943	$ 346,220	$ 178,776	$ 530,940
Foreign Exchange	(70)	(3,622)	(1,820)	(5,512)
Additions	-	80,920	-	80,920
Balance Dec 31, 2012	$ 5,873	$ 423,518	$ 176,956	$ 606,347
Foreign Exchange	136	9,594	3,545	13,275
Additions	-	4,484	-	4,484
Balance Mar 31, 2013	$ 6,009	$ 437,596	$ 180,501	$ 624,106
Foreign Exchange	291	20,702	7,569	28,561
Additions	-	7,610	-	7,610
Balance Jun 30, 2013	$ 6,300	$ 465,908	$ 188,069	$ 660,277
Foreign Exchange	(121)	(8,794)	(3,162)	(12,077)
Additions	-	13,344	27,634	40,978
Balance Sep 30, 2013	$ 6,179	$ 470,457	$ 212,542	$ 689,178
Accumulated Depreciation				
Balance Dec 31, 2011	$ 3,367	$ 127,417	$ 91,845	$ 222,629
Foreign Exchange	(34)	(927)	(556)	(1,516)
Amortization of the period	984	101,963	42,808	145,755
Balance Dec 31, 2012	$ 4,317	$ 228,453	$ 134,097	$ 366,867
Foreign Exchange	100	5,201	2,552	7,853
Amortization of the period	201	28,026	11,012	39,239
Balance Mar 31, 2013	$ 4,618	$ 261,680	$ 147,661	$ 413,959
Foreign Exchange	223	12,425	5,981	18,630
Amortization of the period	210	28,587	11,544	40,342
Balance Jun 30, 2013	$ 5,051	$ 302,693	$ 165,186	$ 472,931
Foreign Exchange	(97)	(5,729)	(2,721)	(8,547)
Amortization of the period	200	27,990	12,857	41,048
Balance Sep 30, 2013	$ 5,155	$ 324,955	$ 175,322	$ 505,432
Carrying Amounts				
At December 31, 2011	$ 2,576	$ 218,804	$ 86,931	$ 308,311
At December 31, 2012	$ 1,556	$ 195,065	$ 42,859	$ 239,480
At March 31, 2013	$ 1,392	$ 175,916	$ 32,840	$ 210,147
At June 30, 2013	$ 1,248	$ 163,215	$ 22,883	$ 187,346
At September 30, 2013	$ 1,024	$ 145,503	$ 37,219	$ 183,746

During the nine month period ended September 30, 2013, the Company recorded depreciation of $119,520 (same period 2012 - $118,641).

Note 8 – Goodwill

		2013
Balance, January 1, 2008	$	-
Acquisition of XCXD on October 1, 2009		306,926
Balance, December 31, 2009, 2010, 2011 and 2012	$	306,926
Change in Q1, 2013	$	-
Change in Q2, 2013	$	-
Change in Q3, 2013	$	-
Balance, September 30, 2013	**$**	**306,926**

The Company tests goodwill annually for impairment, or more frequently if certain indicators arise that indicate they are impaired. In 2012, the Company performed an impairment test, based on value in use, of its goodwill. The Company concluded that no impairment existed in the goodwill associated with XCXD as of December 31, 2012.

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 loss attributable to non-controlling interest - 2011		(122,956)
Balance – December 31, 2011	$	391,100
Net loss attributable to non-controlling interest - 2012		(29,968)
Cash attributable to non-controlling interest 2012		155,400
Balance – December 31, 2012	$	516,532
Net income attributable to non-controlling interest - Q1 2013		7,881
Net income attributable to non-controlling interest - Q2 2013		46,529
Net income attributable to non-controlling interest - Q3 2013		11,283
Balance – September 30, 2013	$	582,225

The Company's foreign subsidiary XCXD recognized net comprehensive income of $131,386 for the nine month period ended September 30, 2013 (same period 2012 – net comprehensive loss $88,760). Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of net comprehensive income of $65,694 (same period 2012 – net comprehensive loss $44,380) was attributable to the non-controlling interest.

During the year ended December 31, 2012, shareholders of XCXD, including the non-controlling interest of XCXD and shareholders of Fireswirl Technologies Inc., contributed $310,800 cash to XCXD and recorded a corresponding increase in the registered capital of XCXD. There was no change in ownership percentages or voting rights. On consolidation $155,400 has been presented as contributed surplus and $155,400 has been presented as an increase in non-controlling interest.

Note 10 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of September 30, 2013 consisted of accounts payable and accrued expenses, wages and vacation payable, payroll remittances and customer deposits.

		September 30, 2013		December 31, 2012
Accounts payable and accrued expenses	$	845,482	$	847,836
Wages and vacation payable		11,566		7,826
Payroll remittances		1,213		400
Sales Tax Payable		21,932		66,898
Customer deposits		165,299		4,228
Total accounts payable and accrued liabilities	$	1,045,492	$	927,188

Note 11 - Short Term Loan

Continuity		2013		2012
Balance, January 1	$	3,799,683	$	4,552,714
Foreign exchange	$	197,479	$	(33,808)
Short term loans received		2,632,649		2,401,065
Repayment of principals		(1,825,992)		(1,604,000)
Balance, September 30	$	4,803,819	$	5,315,971
Foreign exchange			$	(19,721)
Short term loans received				173,283
Repayment of principals				(1,669,850)
Balance, December 31	$	-	$	3,799,683

Outstanding balance at:		2013		2012
a) Short term loan received on May 27, 2009	$	2,350,851	$	2,202,683
b) Short term loan received on March 14, 2012		-		1,597,000
c) Short term loan received in 2013 Quarter One		1,428,000		-
d) Short term loan received in 2013 Quarter One		490,560		-
e) Short term loan received in 2013 Quarter One		30,240		-
f) Short term loan received in 2013 Quarter Two		168		-
g) Short term loan received in 2013 Quarter Three		504,000		-
	$	4,803,819	$	3,799,683

As at September 30, 2013, the Company had total short term loans outstanding of RMB28,594,161(equivalent to $4,803,819). As of December 31, 2012, the Company had total short term loans of RMB23,792,630 (equivalent to $3,799,683). 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 September 22, 2010, the agreement had been renewed to September 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 carried variable interest rate at prime plus 1.25% per annum. On October 20, 2011, the agreement has extended the loan limit to RMB14,000,000 (equivalent to $2,262,400 as of December 31, 2011) with 90 day revolving credit and carried variable interest rate at prime plus 2.75% per annum. The outstanding loan balance is RMB13,993,160 (equivalent to $2,350,851) as of September 30, 2013 (December 31, 2012 – RMB13,792,630 equivalent to $2,202,683).

b) 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 was due on March 13, 2013. As of September 30, 2013, the loan balance has been fully repaid.

c) On November 8, 2012, the Beijing Branch of Citibank (China) Company Limited has agreed to a short term financing revolving credit every four months with a limit of RMB12,000,000. The revolving credit bears an interest rate at an average approximately 7.5% per annum. The drawdown started during January, 2013 and the outstanding loan balance is RMB8,500,000 (equivalent to $1,428,000) as of September 30, 2013.

d) During the nine month period ended September 30, 2013, RMB2,920,000 (equivalent to $490,560 as of September 30, 2013) was received from the Alipay on line. The loan is on a day to day basis and bears fixed interest of 0.06% per day and a repayment term within six months. The outstanding loan balance is RMB2,920,000(equivalent to $490,560) as of September 30, 2013.

e) On March 25, 2013, RMB500,000 (equivalent to $84,000 as of September 30, 2013) was received from an individual. As of September 30, 2013, the remaining balance of this loan is RMB180,000 (equivalent to $30,240 as of September 30, 2013). The loan is for bridging and bears an interest rate of 2.3% per month.

f) On June 30, 2013, RMB50,000 (equivalent to $8,400 as of September 30, 2013) was received from Bank of Communications. As of September 30, 2013, the remaining balance of this loan is RMB1,000 (equivalent to $168 as of September 30, 2013). The loan is for bridging and bears an interest rate of 6% per year.

g) On August 5, 2013, RMB3,000,000 (equivalent to $504,000 as of September 30, 2013) was received from SPD Bank in China through an intermediary. The loan has a term of 12 months and bears fixed interest at 7.65% per annum. Interest will be paid out when the principal amount of RMB3M is due on August 4, 2014.

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, 2013, the benchmark interest rate is at 6%.

During the nine month period ended September 30, 2013, the Company recorded total interest expense on short term loan of $197,420 after offset by a government subsidy received in January of $71,775 (RMB450,000) (same period in 2012 - $328,734).

Note 12 - Long Term Loan

A long term loan of RMB 800,000 (equivalent to $129,280 as of December 31, 2011) was received from Standard Chartered Bank in China on April 27, 2009. The loan bears 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 long term loan has been fully repaid as of December 31, 2012.

During the nine month period ended September 30, 2013, $Nil (same period in 2012 - $809) 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	Options
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				16,791
Fair value of options granted on December 7, 2011				60,094
Warrants exercised	900,000	212,917	(41,915)	
Warrants expired		100,132	(100,132)	(1,200)
Option exercised	30,000	2,700		
Option expired		6,280		(6,280)
Share Issuance cost (warrants expired)		3,055	(3,055)	
Balance, December 31, 2012	45,571,285	$ 7,020,090	$ 2,606,979	$ 808,353
Option expired		88,350		(88,350)
Balance, March 31, 2013	45,571,285	$ 7,108,440	$ 2,606,979	$ 720,003
Balance, June 30, 2013	45,571,285	$ 7,108,440	$ 2,606,979	$ 720,003
Shares issued by private placement on Aug 27, 2013	4,500,000	585,000		
-Issuance cost		(15,163)		
Balance, September 30, 2013	50,071,285	$ 7,678,277	$ 2,606,979	$ 720,003

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.

The gross proceeds from the private placement were allocated between shares and warrants using a pro-rata method based on the fair values of shares and warrants on the date of issuance. The fair value of the warrants and finders' warrants is determined using the Black-Scholes option pricing model assuming a risk-free interest rate of 1.74%, a dividend yield of 0%, and expected volatility of 137% and an expected life of the warrants of one year.

The allocated proceeds to the warrants issued as part of the private placements is recorded in share option and warrants reserve. If and when the warrants are ultimately exercised, the applicable amounts of share option and warrants reserve are transferred to share capital. The allocated proceeds to the warrants issued were allocated to be $145,102 or $0.05 per warrant.

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.

On August 27, 2013, the Company completed a private placement for 4,500,000 common shares at a price of $0.13 per share for total gross proceeds of $585,000. Each Unit consisted of one common share (a "Share"). 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 and filing fees of $15,163 as 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.

	2013		2012	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding, beginning of year	2,215,000	0.19	2,279,000	0.19
Exercised	-	-	(30,000)	0.05
Expired	(465,000)	0.30	(9,000)	0.30
Outstanding, September 30	1,750,000	0.16	2,240,000	0.19
Exercisable, September 30	1,750,000	0.16	1,540,000	0.21

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.

There were Nil options granted and 465,000 options expired at the average share price of $0.30 during the nine month period ended September 30, 2013.

	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	1.11	150,000	1.36
0.15	1,400,000	3.11	1,400,000	3.36
0.30	200,000	0.25	200,000	0.50
	1,750,000	2.61	1,750,000	2.86

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

	2013		2012	
	Number of warrants	Weighted average exercise price ($)	Number of warrants	Weighted average exercise price ($)
Outstanding, beginning of year	-	-	3,100,000	0.19
Exercised		-	(900,000)	0.19
Expired		-	(2,200,000)	0.19
Outstanding, September 30	-	-	-	0.19
Exercisable, September 30	-	-	-	0.19

Pursuant to the term of the private placement that 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 year ended December 31, 2012, 900,000 warrants were exercised at $0.19 and 2,200,000 expired as on April 28, 2012 and there were no outstanding warrants as at September 30, 2013.

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, 2013		September 30, 2012		September 30, 2013		September 30, 2012	
Short-term employee benefits								
- Salaries and severance	$	60,900	$	42,900	$	182,700	$	128,700
- Professional fees		-	$	18,000		-		54,000
- Director fees		4,000		4,000		12,000		12,000
	$	64,900	$	64,900	$	194,700	$	194,700
Share-based payments		-		2,679		-		10,899
	$	64,900	$	67,579	$	194,700	$	205,599

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, 2013, the Company paid $182,700 (same period 2012: $128,700) in salaries to its management. Also, the Company paid $Nil (same period 2012: $54,000) in professional fees to one of its officers and paid $12,000 (same period 2012: $12,000) as director fees.

	September 30, 2013		December 31, 2012		September 30, 2012	
Accounts payable	$	10,465	$	140,296	$	94,941
Due to Shareholders of Fireswirl Technologies Inc.		674,921		593,653		538,327
Due to Shareholders of XCXD		1,376,810		-		1,332,153
	$	2,062,196	$	733,949	$	1,965,421

As of September 30, 2013, the accounts payable balance included $10,465 (December 31, 2012: $140,296) incurred from regular operational expenses outstanding to officers of the company. As of September 30, 2013, the Company also had $674,921 (December 31, 2012: $593,652) due to shareholders of Fireswirl Technologies Inc and $1,376,810 due to a shareholder of XCXD (December 31, 2012: $Nil).

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 operates in one segment, being the operation of official online stores for international brands in China and reselling branded products on these online stores.

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

	Three Months Ended				Nine Months Ended			
	September 30, 2013		September 30, 2012		September 30, 2013		September 30, 2012	
China	$	14,612,409	$	6,344,638	$	33,646,077	$	15,617,740
Europe		-		39,745		-		57,117
USA		5,230		35,390		115,180		62,935
	$	14,617,639	$	6,419,773	$	33,761,257	$	15,737,792

No customer accounted for greater than 10% of the Company's sales during the nine month period ended September 30, 2013 and September 30, 2012.

The Company's long-term assets are located in Canada and China at September 30, 2013 as follows:

	China		Canada		Total	
Capital Assets	$	179,249	$	4,497	$	183,746
Goodwill		306,926				306,926
Trademark		19,176				19,176
Total	$	505,351	$	4,497	$	509,848

The Company's long-term assets are located in Canada and China at December 31, 2012 as follows:

	China		Canada		Total
Capital Assets	$	233,940	$ 5,539	$	239,480
Goodwill		306,926			306,926
Trademark		19,176			19,176
Total	$	560,042	$ 5,539	$	565,582

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. Maximum credit risk relates to accounts receivable of $657,336 at September 30, 2013 (December 31, 2012 - $1,427,516).

There were no overdue accounts receivables outstanding as of September 30, 2013. As at September 30, 2013, there are two individual balances over 10% of the total AR Balance which accounted for $277,014 (equivalent to RMB1,648,892) while as at December 31, 2012, $1,050,791 (RMB 6,579,782) due from one individual 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, 2013	December 31, 2012	September 30, 2012
US dollars:			
- Cash and cash equivalents	($22) (US$21)	$124 (US$125)	$1,722 (US$1,793)
- Accounts receivable	$7,436 (US$7,320)	$83,702 (US$84,131)	$59,713 (US$60,7802)
Hong Kong Dollars			
- Cash and cash equivalents	$8,414 (HK$63,444)	$606 (HK$4,720)	$713 (HK$5,620)
- Accounts receivable	$12,006 (HK$90,000)		
China Yuan Renminbi			
- Cash and cash equivalents	$422,807 (￥2,516,711)	$677,620 (￥4,243,080)	$334,332 (￥2,136,304)
- Restricted cash	$882,168 (￥5,251,000)	$319,400 (￥2,000,000)	$1,878,000 (￥12,000,000)
United Kingdom Pounds			
- Accounts receivable			$6,348 (£4,000)

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, 2013, are summarized in Canadian dollar equivalents in the following table. The local currency amounts have been converted to Canadian dollar equivalents using the year end exchange rates.

		Chinese RMB in CAD		US dollar in CAD		HK dollar in CAD
Cash	$	422,807	$	(22)	$	8,414
Restricted cash		882,168		-		-
Accounts Receivable		637,828		7,436		12,006
Other financial assets		3,837,192		-		-
Accounts payable and accrued liabilities		(698,966)		-		(122,988)
Other financial liabilities		(4,803,819)		-		-
Shareholder loans		(1,376,810)		-		(674,921)
Net financial assets	$	(1,099,600)	$	7,414	$	(777,489)

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	$	(10,996)	$	74	$	(7,775)
Comprehensive income	$	(10,996)	$	74	$	(7,775)

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 company classifies the fair value of the financial instruments according to the following hierarchy based on the observable inputs used to value the instrument:

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/PST recoverable, deposits and prepayments, accounts payable and accrued liabilities, short term loans, and loans from shareholders.

The fair value of accounts receivable, deposits and prepayments, loan receivable, accounts payable and accrued liabilities, short term loans and loans due to shareholders is approximately equal to their carrying values due to their short-term maturity.

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, 2013:

Assets		Level 1		Level 2		Level 3		Total
Cash and Cash Equivalents	$	584,025	$	-	$	-	$	584,025
Restricted Cash		882,168		-		-		882,168
Total Financial Assets	$	1,466,193	$	-	$	-	$	1,466,193

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, 2013 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 +/- $11,088 (same period 2012 - +/- $11,014).

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.

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, 2013, the Company has accounts payable and accrued liabilities of $1,045,492 due within 12 months (December 31, 2012 - $927,188). As at September 30, 2013 the Company has short term loans of $4,802,819 (December 31, 2012 - $3,799,683), see note 11. As at September 30, 2013, the Company is holding cash and cash equivalents of $584,025 (December 31, 2012 - $594,921).

Note 17 - Commitments and Contingencies

(a) The Company has lease obligations to April 30, 2015. The future annual minimum payments under operating leases are as follows:

2013	$ 16,896
2014	$ 69,118
2015	$ 23,295

(b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of $2,013 (RMB11,753) per month until the lease expires on December 31, 2013.

(c) A foreign subsidiary XCXD has a lease obligation of $11,677 (RMB68,166) per month until the lease expires on December 1, 2013.

(d) A foreign subsidiary XCXD has a lease obligation of $29,400 (RMB175,000) in September 2013 as prepaid rent for a lease that will expire on March 13, 2014.

(e) Pursuant to the applicable laws in PRC, PRC entities are required to make appropriations to statutory reserve funds based on after-tax net earnings as determined in accordance with PRC GAAP. Appropriation to the statutory reserve funds should be at least 10% of the after-tax net earnings until the reserve is equal to 50% of the entity's registered capital.

As at December 31, 2012, the Company's subsidiary XCXD had statutory reserve funds of $116,404.64.

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, 2013	December 31, 2012	September 30, 2012
Shareholder Equity	$ 985,816	$ 801,608	$ 750,580

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, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Cash paid during the period for interest	$124,526	$129,851	$265,880	$328,679
Cash paid during the period for income taxes	$7,562	$14,915	$24,730	$14,915

During the nine month period ended September 30, 2013, income taxes of $21,031 were incurred from XCXD's operations in China (same period 2012 - $14,915).

There were no significant non-cash transactions during the nine month period ended September 30, 2013 and 2012.

Note 20 – Subsequent Event

There is no subsequent event.

Note 21 – Comparative Figures

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