Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

For the Years ended December 31, 2013 and 2012

(Audited)

To the Shareholders of Fireswirl Technologies Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of Fireswirl Technologies Inc.'s external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board of Directors, Audit Committee and management to discuss their audit findings.

April 28, 2014

(signed)	(signed)
"Tony Lau"	"Ji Yoon"
CEO	Interim CFO

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Fireswirl Technologies Inc.:

We have audited the accompanying consolidated financial statements of Fireswirl Technologies Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fireswirl Technologies Inc. and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Fireswirl Technologies Inc. and its subsidiaries incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Fireswirl Technologies Inc. and its subsidiaries to continue as a going concern.

MNP LLP

MNP LLP

April 28, 2014
Vancouver, BC

Chartered Accountants

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 364,988	$ 594,921
Restricted cash	4	817,399	319,400
Amounts receivable	5	1,136,163	1,427,516
GST/VAT recoverable		65,532	21,428
Deposits and prepayments		2,689,224	961,883
Inventory	6	3,617,629	2,762,382
		8,690,935	6,087,530
Property and equipment	7	156,204	239,480
Trademark		19,176	19,176
Goodwill	8	306,926	306,926
TOTAL ASSETS		$ 9,173,241	$ 6,653,112
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 1,337,525	$ 927,188
Taxes payable		11,294	14,448
Loans from shareholders	14	720,699	593,653
Short term loan	11	5,610,160	3,799,683
Total Current Liabilities		7,679,678	5,334,972
TOTAL LIABILITIES		7,679,678	5,334,972
SHAREHOLDERS' EQUITY			
Common shares	12	7,684,277	7,020,090
Share-based payments reserve - warrants	12	2,606,979	2,606,979
Share-based payments reserve - options	12	714,003	808,353
Contribution surplus	9	155,400	155,400
Accumulated other comprehensive Income		262,183	121,817
Accumulated deficit	1	(10,493,221)	(9,911,031)
Total equity attributable to equity holders of company		929,621	801,608
Non-controlling interest	9	563,942	516,532
TOTAL EQUITY		1,493,563	1,318,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 9,173,241	$ 6,653,112

See accompanying notes to the 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 Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Twelve months ended December 31, 2013	December 31, 2012
Operating revenues			
Sales revenue		41,331,875	25,558,045
Service revenue		4,370,760	1,993,312
	3	45,702,635	27,551,357
Other operating revenue		131	-
Total operating revenues		45,702,766	27,551,357
Operating expenses			
Purchases	6	38,994,503	23,294,786
Delivery charges		550,309	446,600
Other related expense		2,518,744	827,436
Foreign Exchange (gain)/loss		6,072	4,466
Depreciation and amortization	7	162,978	154,895
Sales and marketing		119,323	172,616
General administration		905,606	964,039
Salaries and benefits		2,767,586	1,859,094
Share-based compensation	12	-	76,885
Loss on disposal of assets		452	2,385
Bad debt expense		5,834	-
Total operating expenses		46,031,407	27,803,202
Operating Loss		(328,641)	(251,845)
Finance income		12,488	10,807
Finance costs	11	(217,215)	(416,362)
Loss before income tax		(533,368)	(657,400)
Income tax expenses		(32,285)	(36,702)
Net loss for the year		(565,653)	(694,102)
Other comprehensive income/(loss)			
Foreign exchange currency adjustment		171,239	(187,829)
Net comprehensive loss		(394,414)	(881,931)
Net income/(loss) attributable to:			
Common shares		(582,190)	(750,398)
Non-controlling interest		16,537	56,296
		(565,653)	(694,102)
Comprehensive income/(loss) attributable to:			
Common shares		(441,824)	(851,963)
Non-controlling interest	9	47,410	(29,968)
		(394,414)	(881,931)
Loss per share			
Basic and diluted		(0.01)	(0.02)
Comprehensive loss per common share			
Basic and diluted		(0.01)	(0.02)
Weighted average number of common shares		47,186,355	45,166,965

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 shareholders' equity
Balance at January 1, 2012	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 year	-	-	-	-	-	-	(750,398)	(750,398)	56,296	(694,102)
Compensation expense related to Stock Options	-	-	-	76,885	-	-	-	76,885	-	76,885
Contribution by Shareholders (Note 9)	-	-	-	-	155,400	-	-	155,400	155,400	310,800
Warrants exercised	900,000	313,048	(142,047)	-	-	-	-	171,001	-	171,001
Options exercised	30,000	2,700	-	(1,200)	-	-	-	1,500	-	1,500
Options expired	-	6,280	-	(6,280)	-	-	-	-	-	-
Share issuance costs	-	3,055	(3,055)	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	(101,565)	-	(101,565)	(86,264)	(187,829)
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 year	-	-	-	-	-	-	(582,190)	(582,190)	16,537	(565,653)
Options expired	-	94,350	-	(94,350)	-	-	-	-	-	-
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	-	-	-	-	-	140,366	-	140,366	30,873	171,239
Balance at December 31, 2013	50,071,285	7,684,277	2,606,979	714,003	155,400	262,183	(10,493,221)	929,621	563,942	1,493,563

See accompanying notes to the consolidated financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Twelve months end December 31, 2013	December 31, 2012
OPERATING ACTIVITIES		
Loss for the period	$ (565,653)	$ (694,102)
Income tax expenses	32,285	36,702
Loss before income tax	$ (533,368)	$ (657,400)
Adjustments to reconcile loss before tax to net cash flows:		
Depreciation and amortization	162,978	154,895
Share-based compensation	-	76,885
Loss on fixed assets disposal	452	2,385
Bad debt write offs	(5,834)	-
Finance income	(12,488)	(10,807)
Finance costs	217,215	416,362
Changes in non-cash working capital items:		
Amounts receivable	408,266	(285,643)
GST/VAT recoverable	(44,102)	3,100
Deposits and prepayments	(1,576,402)	736,932
Inventory	(551,491)	112,084
Accounts payable and accrued liabilities	410,337	(10,542)
Loan from shareholders	127,047	(403,893)
	(1,397,390)	134,358
Interest received	12,488	10,807
Government grant received	134,000	-
Interest paid	(351,215)	(416,362)
Income taxes paid	(36,673)	(22,290)
	(1,638,790)	(293,487)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(60,131)	(81,298)
	(60,131)	(81,298)
FINANCING ACTIVITIES		
Proceeds from short term loan	3,619,123	2,771,344
Repayment of short term loan	(2,256,058)	(3,524,375)
Change in restricted cash	(444,250)	1,377,400
Advance from related party	-	310,800
Repayment of long-term loan	-	(18,659)
Shares issued for cash	569,837	
Shares issued for warrants/options exercised	-	172,500
	1,488,652	1,089,009
Increase in cash during the year	(210,268)	714,224
Effect of foreign exchange	(19,665)	(194,980)
Cash and cash equivalents, beginning of the year	594,921	75,677
Cash and cash equivalents, end of the year	$ 364,988	$ 594,921

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 loss attributable to common shares of $582,190 for the year ended December 31, 2013 compared to a loss attributable to common shares of $750,398 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 renew its existing short term loans, 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 material uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future. These factors raise significant doubt about the Company's ability to continue as a going concern.

As at December 31, the Company reported the following:

	December 31, 2013	December 31, 2012
Deficit	$ (10,493,221)	$ (9,911,031)
Working Capital	1,011,257	752,558

Note 2 - Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated 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 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 financial statements were authorized for issue by the Board of Directors on April 28, 2014.

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 is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

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 statement of income (loss);

• contingent consideration is measured at fair value on the acquisition date, with subsequent changes in the fair value recorded through the statement of income (loss) 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 statement of income (loss).

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%

* The Company has control over Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD") because it has 51% voting right in XCXD.

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

c) Cash and cash equivalents

Cash and cash equivalents consist 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 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) Other comprehensive income / (loss)

Other 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 income 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, which is also the parent company's functional currency. The functional currency of Fireswirl Systems Inc. is U.S. dollar. The functional currency of Fireswirl Asia Ltd. and Fireswirl Mobile Solutions Ltd. is Hong Kong dollar. The functional currency of Fireswirl Technologies (Shenzhen) Co. Ltd, Fireswirl Technologies (Beijing) Co. Ltd. and XCXD is Chinese RMB.

Revenue and expense transactions that are denominated in foreign currencies and entered into directly by the Company are translated into Canadian dollar 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 financial position dates, and the resulting foreign exchange gains and losses are recognized in the statement of 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 financial position date. Statements of income (loss) 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 statement of income (loss) as part of the profit or loss on sale.

g) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income 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 using the liability method, providing for 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 on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for 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, 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 to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 the related tax benefit will be realized.

h) Revenue recognition

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

Revenue from the sale of online merchandise is recognized in our accounts at shipping point 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, fees are measured reliably and when collection of amounts due is considered to be reasonably assured.

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 resale goods. Net realizable value is the estimated selling price in the ordinary course of business, less 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 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 12.

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 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 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 have 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 twelve month period ended December 31, 2013, the Company recorded an allowance for doubtful accounts of $Nil (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 income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) 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, 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.

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 ("EPS")

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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) 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.

v) Changes in accounting policies

Effective January 1, 2013, the Company has adopted the following new and revised standards, along with any consequential amendments:

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 introduced a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never by reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company’s financial results.

IAS 16 Property, Plant and Equipment
The amendment to IAS 16, clarified the classification of servicing equipment and spare parts. As a result, some items previously classified as property, plant and equipment have been reclassified as inventory and vice versa. The adoption of this standard had no impact on the Company's financial statements because it has no servicing equipment and spare parts.

IAS 32 Financial Instruments Presentations and IFRS 7 Financial Instruments: Disclosure
The amendment to IAS 32 clarified the offsetting criteria for financial assets and liabilities. The related amendment to IFRS 7 introduced disclosure on financial assets that were offset in accordance with IAS 32 and master netting or similar arrangements. The revised IAS 32 had no impact on the Company's offsetting of financial assets and liabilities. The revised IFRS 7 had no impact on the Company's financial results.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 includes consolidation using a single control model, definition of control, considerations on power, and continuous reassessment. The Company determined that it follows the principles for the presentation and preparation of consolidated financial statements as outlined in IFRS 10 and that it considers all relevant facts and circumstances when assessing control of a consolidated entity, details of which are outlined in note 2b in the consolidated financial statements. The application of IFRS 10 has no impact on the consolidated investments held by the Company.

IFRS 11 Joint Arrangements
IFRS 11 revised the classification and accounting of joint arrangements i.e. arrangements over which one or more parties have joint control. The adoption of this standard had no impact on the Company's financial statements because it has no interests in joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 requires disclosures with respect to interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the adoption of IFRS 12 has resulted in additional disclosures in the Company's consolidated financial statements. Refer to note 9.

IFRS 13 Fair Value Measurement
IFRS 13 improves consistency and reduces complexity of fair value measurements by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. In accordance with the transitional provisions, IFRS 13 has been applied prospectively from January 1, 2013. The adoption of IFRS 13 did not have an impact on the measurement of the Company's assets and liabilities.

w) Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at December 31, 2013 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

IFRS 2 Share-based payment
The amendments to IFRS 2, issued in December 2013 clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 3 Business combinations
The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation
Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

IFRS 8 Operating segments
The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial instruments
IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity’s “own credit risk” is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the “own credit requirement” in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2018 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets
The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

IAS 24 Related party disclosures
The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 36 Impairment of assets
The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

Note 3 – Revenue

The Company generated revenue from merchandise resale and service and maintenance fees during the years ended December 31, 2013 and 2012.

During the year ended December 31, 2013, the Company recognized $41,331,875 of revenue from the merchandise sales in China (2012: $25,558,045). Within this amount, $41,331,875 (2012: $25,558,045) was generated by Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), a subsidiary in China.

The Company recorded $4,370,760 (2012: $1,993,312) of revenue from service and maintenance fees during the year ended December 31, 2013. Within this amount, $3,983,712 (2011: $1,798,684) was made by XCXD. This revenue is mainly generated from e-commerce platform 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 $351,400 as of December 31, 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 1,000,702 (equivalent to $175,823 as of December 31, 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 $176 as of December 31, 2013) with its financial institution for its short term loan account.

The Company has received $290,000 in its bank account for a private placement subscription and has been held as restricted cash.

Note 5 – Amounts Receivable

	Total	Neither past due nor impaired	31 - 60 Days	61 - 90 Days	> 90 Days
December 31, 2013	$ 1,136,163	$ 940,369	$ 56,471	$ 34,191	$ 105,132
December 31, 2012	$ 1,427,516	$ 1,367,893	$ 51,286		$ 8,337

Note 6 – Inventory

	December 31, 2013	December 31, 2012
Finished Goods	$ 3,617,629	$ 2,762,382

For the year ended December 31, 2013, inventory recognized as an expense in purchases amounted to $38,994,503 (2012 - $23,294,786). There was $Nil (2012 - $21,511) write down of inventory included in the above amounts. As of December 31, 2013, the Company anticipates the net inventory will be realized within one year.

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)	(5,513)
Additions	-	80,920	-	80,920
Balance Dec 31, 2012	$ 5,873	$ 423,518	$ 176,956	$ 606,347
Foreign Exchange	588	42,573	16,595	59,756
Additions	-	31,127	29,004	60,131
Disposals	(1,948)	(10,175)	-	(12,123)
Balance Dec 31, 2013	$ 4,513	$ 487,043	$ 222,555	$ 714,111
Accumulated Depreciation				
Balance Dec 31, 2011	$ 3,367	$ 127,418	$ 91,845	$ 222,630
Foreign Exchange	(34)	(927)	(556)	(1,517)
Amortization of the period	984	101,963	42,808	145,754
Balance Dec 31, 2012	$ 4,317	$ 228,454	$ 134,097	$ 366,867
Foreign Exchange	462	26,519	12,750	39,731
Amortization of the period	809	112,527	49,642	162,978
Disposals	(1,892)	(9,778)	-	(11,671)
Balance Dec 31, 2013	$ 3,696	$ 357,722	$ 196,489	$ 557,907
Carrying Amounts				
At December 31, 2011	$ 2,576	$ 218,802	$ 86,931	$ 308,310
At December 31, 2012	$ 1,556	$ 195,065	$ 42,859	$ 239,480
At December 31, 2013	$ 817	$ 129,321	$ 26,066	$ 156,205

During the year ended December 31, 2013, the Company recorded depreciation of $162,978 (2012 - $154,895).

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 2013	$	-
Balance, December 31, 2013	$	306,926

The Company tests goodwill annually for impairment or more frequently if there are indicators of impairment. The recoverable amount in most cases is estimated based on the value in use determined as the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset. The estimation process is complex and different assumptions may result in material differences. In particular, if different estimates of the projected future cash flows or different selection of an appropriate discount rate were made, these changes could materially alter the present value of the cash flows and as a consequence materially different amounts could be reported in the consolidated financial statements.

In 2013, 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, 2013.

The value in use has been estimated using the forecast prepared by management for the next four years. The key assumptions for the estimate are those regarding revenue growth, gross margin and the level of working capital required to support the business. These estimates are based on past experience and management's expectations of future changes in the market. The discount rate is based on the Company's pretax weighted average cost of capital of approximately 8% to reflect a market participant's view of XCXD.

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 - 2013		47,410
Balance – December 31, 2013	$	563,942

Financial information of XCXD is provided below. This information is based on amounts before inter-company eliminations.

	December 31, 2013	December 31, 2012
Current assets	7,969,211	6,099,940
Non-current assets	143,973	227,806
Current liabilities	7,362,549	5,671,933
Non-current liabilities	-	-
Revenue	45,315,587	27,356,729
Profit or loss	33,074	112,592
Total comprehensive income/(loss)	94,820	(59,936)

The Company's foreign subsidiary XCXD recognized net comprehensive income of $94,820 for the year ended December 31, 2013 (2012 – net comprehensive loss of $59,936). Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of net comprehensive income of $47,410 (2012: net comprehensive loss $29,968) 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 December 31, 2013 consisted of accounts payable and accrued expenses, wages and vacation payable, payroll remittances and customer deposits.

		December 31, 2013		December 31, 2012
Accounts payable and accrued expenses	$	900,260	$	847,836
Wages and vacation payable		13,123		7,826
Payroll remittances		787		400
Sales Tax Payable		4,520		66,898
Customer deposits		128,835		4,228
Subscription deposits		290,000		-
Total accounts payable and accrued liabilities	$	1,337,525	$	927,188

Note 11 - Short Term Loan

Continuity		2013		2012
Balance, January 1	$	3,799,683	$	4,552,714
Foreign exchange		447,411		(53,528)
Short term loans received		3,619,123		2,574,347
Repayment of principals		(2,256,058)		(3,273,850)
Balance, December 31	$	5,610,160	$	3,799,683

Outstanding balance at:		2013		2012
a) Short term loan received on May 27, 2009	$	2,271,684	$	2,202,683
b) Short term loan received on March 14, 2012		-		1,597,000
c) Short term loan received in January, 2013		2,811,200		-
d) Short term loan received in June, 2013		176		-
e) Short term loan received on August 5, 2013		527,100		-
	$	5,610,160	$	3,799,683

As at December 31, 2013, the Company had total short term loans outstanding of RMB31,930,336 (equivalent to $5,610,160). As of December 31, 2012, the Company had total short term loans of RMB23,792,630 (equivalent to $3,779,683). 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 May 31, 2012, the loan limit has been extended to RMB14,000,000. The loan is secured by apartments owned by XCXD’s management and XCXD's restricted cash of RMB2,000,000 (equivalent to $351,400). The outstanding loan balance is RMB12,929,334 (equivalent to $2,271,684) as of December 31, 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 is due on March 13, 2013. As of December 31, 2013, this loan has been fully paid in 2013.

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 and has been extended to RMB16,000,000 during October, 2013. 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 RMB16,000,000 (equivalent to $2,811,200) as of December 31, 2013. The loan is secured apartments owned by management and XCXD's restricted cash of RMB 1,000,702 equivalent to $175,823.

d) On June 30, 2013, RMB50,000 was received from Bank of Communications. As of December 31, 2013, the remaining balance of this loan is RMB1,000 (equivalent to $176 as of December 31, 2013). The loan is secured by XCXD's restricted cash of RMB 1,000 equivalent to $176.The loan is for bridging and bears an interest rate of 6% per year.

e) On August 5, 2013, RMB3,000,000 (equivalent to $527,100 as of December 31, 2013) was received from SDIC Trust Co., Ltd. in China through an intermediary. Guarantee fee of RMB75,000 (equivalent to $13,178) was paid to the 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, 2012, the benchmark interest rate has been reduced again. As of December 31, 2013, the benchmark interest rate is at 6%.

During the year ended December 31, 2013, the Company recorded total interest expense on short term loan of $217,215 (same period in 2012 - $415,452). In 2013, interest expense was offset by a government subsidy received in January 2013 of $71,775 (RMB450,000) and December 2013 of $61,285 (RMB350,000).

Note 12 - 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, 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	212,916	(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		94,350		(94,350)
Shares issued by private placement on Aug 27, 2013	4,500,000	585,000		
-Issuance cost		(15,163)		
Balance, December 31, 2013	50,071,285	$ 7,684,277	$ 2,606,979	$ 714,003

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. All shares issued with respect to the private placement are subject to a holding 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	(665,000)	0.30	(34,000)	0.30
Outstanding, December 31	1,550,000	0.14	2,215,000	0.19
Exercisable, December 31	1,550,000	0.14	2,215,000	0.19

There were nil options granted during the year ended December 31, 2013 (2012 – nil). The Company estimated forfeiture rate 0%.

	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	0.86	150,000	0.86
0.15	1,400,000	2.86	1,400,000	2.86
	1,550,000	2.67	1,550,000	2.67

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, December 31	-	-	-	-
Exercisable, December 31	-	-	-	-

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 December 31, 2013 and 2012.

Note 13 – Income Taxes

The components of the Company's net income tax expense which has been recorded in the consolidated financial statements are as follows:

	2013	2012
Income (loss) before taxes	$(533,368)	$(657,400)
Statutory tax rate	25.75%	25.00%
Expected income tax (recovery)	(137,360)	(164,350)
Non-deductible items	14,907	5,929
Change in estimates	384,248	14,364
Change enacted tax rate	(51,591)	7,282
Functional currency adjustments	(37,265)	7,632
Foreign tax rate difference	8,104	18,194
Financing costs	(3,905)	-
Change in deferred tax asset not recognized	(144,853)	147,651
Income taxes expense	$32,285	$36,702
Current tax expense	32,285	36,702
Deferred tax expense	-	-
Income taxes expense	$32,285	$36,702

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company's combined statutory tax rate.

The tax effects of deductible and taxable temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

	2013	2012
Non capital loss carryforwards (Canada)	$1,361,732	$1,427,127
Non capital loss carryforwards (China)	383,654	296,969
Intangible assets (Canada)	13,948	13,281
Intangible assets (China)	138,363	124,267
Property and equipment (Canada)	31,527	29,447
Other (Canada)	34,801	219,641
Financing Costs (Canada)	5,800	3,946
	1,969,825	2,114,678
Deferred tax asset not recognized	1,969,825	2,114,678
Net deferred tax asset (liability)	-	-

As at December 31, 2013, the Company has non-capital loss carry forwards for income tax purposes of approximately $5,251,274 (2012 - $5,708,508), from the Company's Canadian entities, Fireswirl Technologies Inc. and Fireswirl Systems Inc., available to reduce taxable income of future years. These losses expire as follows:

EXPIRY	TOTAL
2014	1,400
2015	1,516
2025	46,417
2026	897,677
2027	803,560
2028	1,076,792
2029	631,148
2030	410,644
2031	418,825
2032	621,650
2033	327,804
TOTAL	$ 5,237,433

As at December 31, 2013, the Company has non-capital loss carry forwards for income tax purposes of approximately $860,954 (2012: $566,711), from the Company's China subsidiaries, Fireswirl Technologies (ShenZhen) Co. Ltd and Fireswirl Technologies (Beijing) Co. Ltd. These losses expire as follows:

EXPIRY	TOTAL
2015	223,461
2016	192,387
2017	200,586
2018	244,520
	$ 860,954

As at December 31, 2013, the Company has non-capital loss carry forwards for income tax purposes of approximately $1,020,699 (2012: $941,162), from the Company's Hong Kong subsidiaries, Fireswirl Mobile Solutions Ltd. and Fireswirl Asia Ltd. These losses can be carried forward indefinitely.

Note 14 - Related Party Transactions

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

	Twelve months ended	
	December 31, 2013	December 31, 2012
Short-term employee benefits		
- Salaries and severance	$ 253,154	$ 181,154
- Professional fees	-	72,000
- Director fees	16,000	16,000
	$ 269,154	$ 269,154
Share-based payments	-	10,898
	$ 269,154	$ 280,052

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 year ended December 31, 2013, the Company paid $253,154 (same period in 2012: $181,154) in salaries to its management. Also, the Company paid $Nil (same period in 2012: $72,000) in professional fees to one of its officers and paid $16,000 (same period in 2012: $16,000) as director fees.

	December 31, 2013	December 31, 2012
Accounts payable	$ 53,519	$ 140,296
Due to Shareholders of Fireswirl Technologies Inc.	688,002	593,653
Due to Shareholders of XCXD	32,697	-
	$ 774,218	$ 733,949

As of December 31, 2013, the accounts payable balance included $53,519 (December 31, 2012: $140,296) incurred from regular operational expenses outstanding to officers of the Company. As of December 31, 2013, the Company also had $688,002 (December 31, 2012: $593,653) due to shareholders of Fireswirl Technologies Inc. and $32,697 (December 31, 2012: $Nil) due to a shareholder of XCXD.

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:

	Twelve Months Ended	
	December 31, 2013	December 31, 2012
China	$ 45,491,898	$ 27,293,451
Europe	-	179,631
USA	210,737	78,274
	$ 45,702,635	$ 27,551,356

No customer accounted for greater than 10% of the Company’s sales during the years ended December 31, 2013 and December 31, 2012.

The Company's long-term assets are located in Canada and China at December 31, 2013 as follows:

	China	Canada	Total
Property and equipment	$ 152,517	$ 3,687	$ 156,204
Goodwill	306,926	-	306,926
Trademark	19,176	-	19,176
Total	$ 478,619	$ 3,687	$ 482,306

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

	China	Canada	Total
Property and equipment	$ 233,940	$ 5,540	$ 239,480
Goodwill	306,926	-	306,926
Trademark	19,176	-	19,176
Total	$ 560,042	$ 5,540	$ 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 amounts receivable of $1,136,163 (2012 - $1,427,516).

There were no overdue amounts receivables outstanding as of December 31, 2013. As at December 31, 2013, there is receivable from a online payment process provider over 10% of the total AR Balance which accounted for $629,368 (equivalent to RMB3,582,062) while as at December 31, 2012, $1,050,791 (RMB6,579,782) due from the online payment process provider over 10% of the total AR Balance.

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.

	December 31, 2013	December 31, 2012
US dollars:		
- Cash and cash equivalents	$113 (US$107)	$124 (US$125)
- Amounts receivable	$19,823 (US$18,638)	$83,702 (US$84,131)
Hong Kong Dollars		
- Cash and cash equivalents	$11,438 (HK$83,386)	$606 (HK$4,720)
- Amounts receivable	$5,705 (HK$41,590)	
Chinese RMB		
- Cash and cash equivalents	$333,691 (￥1,899,211)	$677,620 (￥4,243,080)
- Restricted cash	$527,399 (￥3,001,702)	$319,400 (￥2,000,000)

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 December 31, 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	$ 333,691	$ 113	$ 11,438
Restricted cash	527,399	-	-
Amounts receivable	1,110,168	19,823	5,705
Other financial assets	2,710,033	-	-
Accounts payable and accrued liabilities	(761,047)	(28,080)	(51,964)
Other financial liabilities	(5,610,160)	-	-
Shareholder loans	(67,838)	-	(652,862)
Net financial assets	$ (1,757,754)	$ (8,144)	$ (687,683)

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 loss and comprehensive loss.

	Chinese RMB in CAD	US dollar in CAD	HK dollar in CAD
Net loss	$ (17,578)	$ (81)	$ (6,877)
Comprehensive loss	$ (17,578)	$ (81)	$ (6,877)

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, amounts receivable, accounts payable and accrued liabilities, short term loans, and loans from shareholders.

The fair value of cash and cash equivalents, restricted cash, amounts receivable, accounts payable and accrued liabilities, short term loans and loans from shareholders is approximately equal to their carrying values due to their short-term maturity.

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 twelve month period ended December 31, 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 +/- $10,652 (same period 2012 - +/- $8,125).

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 December 31, 2013, the Company has accounts payable and accrued liabilities of $875,818 due within 12 months (December 31, 2012 - $927,188). As at December 31, 2013 the Company has short term loans of $5,610,160 (December 31, 2012 - $3,799,683), see note 11. As at

December 31, 2013, the Company is holding cash and cash equivalents of $364,988 (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:

2014	$ 69,118
2015	$ 23,295

(b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of $3,080 (RMB17,531) per month until the lease expires on November 4, 2014.

(c) A foreign subsidiary XCXD has a lease obligation of $18,156 (RMB103,333) per month until December 1, 2017 where rent will increase by 5% until lease expired on November 30, 2018.

2014	$ 217,867
2015	$ 217,867
2016	$ 217,867
2017	$ 217,867
2018	$ 199,712

(d) A foreign subsidiary XCXD has a lease obligation of approx $7,665 (RMB43,628) per month until August 15, 2016 when the lease expires.

2014	$ 91,986
2015	$ 91,986
2016	$ 65,157

(e) A foreign subsidiary XCXD has a lease obligation of approx $61,495 (RMB350,000) per year until September 15, 2016 where rent will increase to $70,280 (RMB400,000) until September 14, 2019 when the lease expires.

2014	$ 61,495
2015	$ 61,495
2016	$ 64,057
2017	$ 70,280
2018	$ 70,280
2019	$ 55,638

(f) 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.

During the years ended December 31, 2013 and 2012, the Company allocated $11,979 and $13,965, respectively, from after-tax net earnings to XCXD's statutory reserve funds. As at December 31, 2013 and 2012, the Company's subsidiary XCXD had statutory reserve funds of $128,384 and $116,405, respectively.

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:

	December 31, 2013	December 31, 2012
Shareholders' Equity	$ 929,621	$ 801,608

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 – Comparative Figures

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

Note 20 – Subsequent Events

On January 6, 2014, the Company announced that it has closed its previously announced non-brokered private placement for 3,400,000 units (each, a "Unit") at a price of $0.20 per Unit. Each Unit consisted of one common share (a "Share") and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one Share at a price of $0.25 for a period of one year from the date of issue. The Company raised aggregate gross proceeds of $680,000 from the sale of the Units.

In connection with the Private Placement, the Company paid a 7% cash commission to certain finders, including Mackie Research Capital Corporation, Raymond James Ltd., and Canaccord Genuity Corp., based on the gross proceeds derived from the sale of Units to investors introduced by each finder. All securities issued with respect to the Private Placement are subject to a statutory four month hold period expiring on May 7, 2014.

The Company intends to use the net proceeds of the Private Placement for working capital and operating expenses.