Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

The year ended December 31, 2010 and 2009

(Audited)

(Amended)

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 Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. 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 consolidated 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 fulfils 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 the company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated 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, both the Board Audit Committee and management to discuss their audit findings.

April 29, 2010

"Tony Lau"	*"Ji Yoon"*
Chief Executive Officer	Chief Financial Officer

MEYERS NORRIS PENNY LLP

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 balance sheet as at December 31, 2010 and 2009, and the consolidated statements of loss, comprehensive loss and deficit and 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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, 2010 and 2009, the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP

April 29, 2011

Vancouver, British Columbia

Chartered Accountants

FIRESWIRL TECHNOLOGIES INC.

Consolidated Balance Sheets

	December 31 2010	December 31 2009
ASSETS	(audited)	(audited)
Current assets		
Cash and cash equivalents	$ 783,699	$ 1,467,401
Restricted cash- Note 7	362,160	308,000
Amounts receivable - Note 8	1,637,794	1,044,408
GST/VAT recoverable	31,334	54,422
Deposits and prepayments	624,086	706,651
Inventory	2,132,097	1,047,472
	5,571,170	4,628,354
Capital assets - Note 9	291,752	193,307
Trademark	19,176	18,964
Goodwill - Note 11	306,926	306,926
Total Assets	$ 6,189,024	$ 5,147,551
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities - Note 14	655,607	838,233
Taxes payable	-	179,653
Loan from shareholders	387,409	517,545
Short term loan - Note 15	3,300,937	1,199,756
Current portion of long term loan - Note 16	45,570	37,741
	4,389,523	2,772,928
Long Term Loan - Note 16	17,424	64,315
	4,406,947	2,837,243
NON CONTROLLING INTEREST - Note 10,11,12	514,056	502,492
SHAREHOLDERS' EQUITY		
Common shares - Note 20	5,955,265	5,610,417
Contributed surplus - Warrants - Note 20	2,606,979	2,606,979
Contributed surplus - Options - Note 20	731,474	724,419
	9,293,718	8,941,815
Deficit	(8,025,697)	(7,133,999)
	1,268,021	1,807,816
Total Liabilities and Shareholders' Equity	$ 6,189,024	$ 5,147,551

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 24)
Subsequent events (Note 27)

On behalf of the Board:

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

Tony Lau
CEO

Ji Yoon
Interim CFO

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Operations

	Year ended December 31 2010	Year ended December 31 2009
Revenues		
Merchandise resale and trading	$ 19,545,105	$ 4,226,541
Advertising	158,073	686,967
Service and maintenance fees	573,904	71,802
	20,277,082	4,985,310
Cost of goods sold	18,075,276	3,923,660
Gross profit	2,201,806	1,061,650
Operating expenses		
Amortization	77,844	40,975
Sales and marketing	239,445	151,267
General administration	991,032	580,981
Salaries and benefits	1,518,222	654,314
Stock based compensation	7,054	34,617
Impairment - Note 14		424,094
	2,833,597	1,886,248
Loss before other items	($631,791)	(824,598)
Other items:		
Interest expenses	(115,366)	(42,886)
Other incomes and (losses)	5,671	16,276
Foreign exchange gain (loss)	(44,218)	(86,008)
Share of loss of equity investment		(55,071)
Loss before income taxes	(785,704)	(992,287)
Income tax recovery (expenses)	(94,430)	(87,051)
Loss and comprehensive loss before NCI	(880,134)	(1,079,338)
Profit attributable to NCI - Note 13	(11,564)	(315,973)
Loss and comprehensive loss for the period	(891,698)	(1,395,311)
Basic/Diluted loss per share - Note 18	($0.03)	($0.05)
Weighted average number of shares outstanding	35,139,367	26,813,130

The accompanying notes are an integral part of these financial statements.

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows (unaudited)

		Year ended December 31 2010		Year ended December 31 2009
OPERATING ACTIVITIES				
Net loss for the period	$	(891,698)	$	(1,395,311)
Non cash items:				
Amortization and depreciation		77,844		40,975
Stock based compensation		7,054		34,617
Bad Debt write offs		1,492		
Impairment Loss				424,094
Loss from Investment				55,071
Non-controlling interest		11,564		315,973
Changes in non-cash working capital items:				
Amounts receivable		(570,298)		233,187
Deposits and prepayments		82,565		(631,241)
Inventory		(1,084,625)		433,407
Accounts payable and accrued liabilities		(182,626)		(1,062,336)
Taxes payable		(179,653)		179,653
		(2,728,381)		(1,371,911)
INVESTING ACTIVITIES				
Deferred development costs and other asset		(212)		(2,500)
Cash acquired from acquisition of XCXD		-		282,496
Investment in Tysen		-		-
Acquisition of capital assets		(109,601)		(13,052)
Increase in Leasehold Improvement		(60,068)		-
Loan receivable		-		8,411
		(169,881)		275,355
FINANCING ACTIVITIES				
Loan from shareholders		(130,136)		517,545
Proceeds from short term loan		2,101,181		170,820
Repayment of long-term loans		(39,062)		(13,863)
Shares issued for cash		344,848		-
		2,276,831		674,502
Decrease in cash during the period		(621,431)		(422,054)
Effect of foreign currency translation on Cash and Cash Equivalents		(8,111)		(29,089)
Cash and cash equivalents, beginning of the period		1,775,401		2,226,544
Cash and cash equivalents, end of the period	$	1,145,859	$	1,775,401

Supplemental disclosure with respect to cash flows

Cash paid for:				
Interest	$	(115,366)	$	(42,886)
Income taxes	$	(94,430)	$	(87,051)

The accompanying notes are an integral part of these financial statements.

Note 1- Nature and Continuance of Operations

Fireswirl Technologies Inc. (“the Company”) focuses on technology development and deployment, and conducting e-commerce, including operating official online stores for international brands in China and reselling branded products on these online stores.

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

Several adverse conditions cast doubt on the validity of this assumption. During the year ended December 31, 2010 and 2009, the Company experienced operating losses and negative operating cash flows which were primarily funded by borrowing of short term loans.

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

	December 31, 2010	December 31, 2009
Deficit	$ (8,025,697)	$ (7,133,999)
Working Capital	1,181,647	1,855,426

Note 2 - Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

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

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

In 2009, Tsyen Xieli Technology is an investment over which the Company is able to exercise significant influence and is accounted for by the equity method.

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

Note 3 - Significant Accounting Policies

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) 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.

b) Capital assets

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

Computer hardware	20% declining balance in Canada, 3 year straight-line in China
Furniture and fixtures	20% declining balance in Canada, 5 year straight-line in China
Leasehold improvements	Straight-line over the term of the lease

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

c) Comprehensive income

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

d) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities and revenue and expenses arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Foreign exchange gains or losses arising from the translation are included in net income.

Integrated subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries are translated into Canadian dollars at the exchange rate in effect at the balance sheets dates. Non-monetary assets and liabilities are translated at the exchange rate in effect at the date of the transaction. Revenues and expenses are translated at average exchange rates prevailing during the period. Unrealized foreign exchange gains or losses arising from the translation are included in the income statement.

Assets and liabilities of self-sustaining operations which are denominated in a currency other than Canadian dollars are translated at year-end exchange rates, and revenues and expenses are translated at average exchange rates. Differences arising from these foreign currency translations are reported as other comprehensive income.

e) Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company provides a valuation allowance against future tax assets to the extent that the Company does not consider them to be more likely than not to be realized.

f) 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.

g) 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.

h) Use of estimates

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

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

i) Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 19. The Company accounts for stock options granted to directors, officers and employees using the fair value method. All stock options granted, accounted for as a capital transaction at the time of the grant, are reflected as stock options in shareholders' equity. The fair value of options granted is estimated at the date of the grant using a Black-Scholes option pricing model incorporating assumptions regarding risk-free rates, dividend yield, volatility of return and a weighted average expected life of options. The estimated fair market value is recorded over the options' vesting period. Any consideration paid on the exercise of stock options is credited to share capital. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting. Compensation expense is recognized for stock-based payments to non-employees using the fair value based method.

j) Impairment of Long-lived assets

The Company reviewed long-lived assets for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

k) 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.

l) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired business. Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill impairment test is carried out in two steps. In the first step, the fair value of a reporting unit should be compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value. The fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The fair value of goodwill is determined in the same manner as the value of goodwill in a business combination as described above. Using the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess of the carrying amount over the fair value of goodwill. No impairment of goodwill was recognized during the year ended December 31, 2010 (2009 - $Nil).

m) 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 year ended December 31, 2010, the Company recorded an allowance for doubtful accounts of $Nil (2009 - $Nil).

n) Equity accounted investments

Investments in companies over which the Company has or is deemed to have significant influence, but does not control, are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter, to reflect the Company's pro-rata share of income or loss of the equity accounted investment and any dividends received from the investment. The Company's share of net income and losses of such investments is included in the consolidated statements of operations.

o) Financial instruments

This section establishes standards for the recognition, measurement disclosure and presentation of financial instruments. Under the standard, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as one of these five categories: i) held-for- trading; ii) loans and receivables; iii) held-to-maturity; iv) available-for-sale; or v) other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

- The Company has classified its cash and cash equivalents and restricted cash as held-for-trading, which are measured at fair value with changes recorded in the consolidated statement of earnings and deficit as interest income.

- The Company has classified accounts receivables, GST/VAT recoverable, and deposits and prepayments are classified as loans and receivables, which are measured at amortized cost. Due to their short-term maturity, the fair values of loans and receivables approximate their carrying values.

- The Company has classified accounts payable and accrued liabilities, loan from shareholders, short term loan, and long term loan as other financial liabilities, which are measured at amortized cost. Due to their short-term natures, the fair values of accounts payable and accrued liabilities, loan from shareholders and short term loan approximate their carrying values. The fair value of long term loan is obtained using discounted cash flow analysis.
- The Company had no assets designated as held-to-maturity or available-for-sale as at December 31, 2010.

- The Company had no elements of other comprehensive income (loss) during the year ended December 31, 2010 and 2009.

Note 4 - Adoption of New Accounting Standards

a) Fair Value Hierarchy

In 2009, the AcSB amended CICA 3862, Financial Instruments – Disclosures, to require enhanced disclosures about the relative reliability of the data, or “inputs,” that an entity uses to measure the fair values of its financial instruments. It requires financial instruments measured at fair value to be classified into one of three levels in the “fair value hierarchy” based on the lowest level input that is significant to the fair value measurement in its entirety. The amended section relates to disclosure only and did not have a material impact on the financial results of the Company. These disclosures are presented in note 21.

b) Goodwill and intangible assets

On January 1, 2009, the Company adopted CICA 3064, “Goodwill and Intangible Assets”, which replaced Section 3062, “Goodwill and Intangible Assets” and Section 3450, “Research and Development Costs. The standard establishes principles for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The adoption of this standard had no impact on the Company’s consolidated financial statements.

c) Credit risk and the fair value of financial assets and liabilities

In January 2009, the CICA approved EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company is continually evaluating its counterparties and their credit risks; the accounting treatments provided in EIC-173 have been applied in the preparation of these consolidated financial statements. The adoption of this standard did not have an impact on the valuation of financial assets and liabilities.

Note 5 - Future Accounting Changes

a) Consolidated financial statements and Non-controlling interests

In January 2009, the CICA issued new Handbook Section 1601, “Consolidated Financial Statements” and Section 1602, “Non-Controlling Interests”, which together replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

b) Business combinations

In January 2009, the CICA issued new Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier application is permitted. The Company does not expect to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

c) International financial reporting standards

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that accounting standards in Canada for public companies are required to converge with IFRS beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011 and the restatement of the opening balance sheet as at December 31, 2010.

The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide consolidated financial information in accordance with IFRS including comparative figures for 2010. In addition, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

d) Multiple deliverable arrangements

In December 2009, the CICA issued EIC-175, "Multiple Deliverable Revenue Arrangements", which provides guidance for determining whether an arrangement involving multiple deliverables contains one or more units of accounting. The accounting treatments provided in EIC-175 are effective for the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Company does not believe that this guidance will have an impact on its consolidated financial statements.

Note 6 – Revenue and Cost of Sales

Revenue

The Company generated revenue from merchandize resale, advertising and service and maintenance fees during the year ended December 31, 2010.

During the year ended December 31, 2010, the Company recognized $19,545,105 of revenue from the merchandize sales in China (same period in 2009: $4,226,541). Within this amount, $19,488,360 (same period in 2009: $4,007,548) was generated by Beijing Xingchang Xinda

Technology Development Co., Ltd. ("XCXD"), a subsidiary in China. Please note that our interest in XCXD was acquired on October 1, 2009 (Note 10), therefore, only 3 months of their revenue was recognized in Fireswirl Technologies during 2009.

XCXD also recognised $158,073 (same period in 2009: $686,967) of revenue from advertising during the year ended December 31, 2010. Advertising fee is charged to advertiser who posts advertisement on websites and online stores operated by the Company in China or those who use the Company's advertising service.

The Company recorded $573,904 (same period in 2009: $71,802) of revenue from service and maintenance fees during the year ended December 31, 2010. Within this amount, $385,314 (same period in 2009: $16,458) was made by XCXD.

The Company recorded $47,787 of revenue from software development for US customers as of December 31, 2010 (2009 - $34,220).

Cost of sales

Cost of sales includes the cost of purchasing the merchandize for resale, sales tax, delivery, technical service and advertising expenses related to the sales. During the year ended December 31, 2010, $18,075,276 (2009 - $3,923,660) was recognized as cost of goods sold.

Note 7– Restricted Cash

The Company's subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd ("XCXD") is required to maintain a deposit of RMB 2,400,000 (equivalent to $362,160 as of December 31, 2010) (2009 – RMB2,000,000, equivalent to $308,000) with its financial institution for its short term loan account. The restricted cash earns interest at the prime rate (1.71% for savings in 2009 and 2010) and is redeemable when the loan is paid off.

Note 8 – Amounts Receivable

	December 31, 2010	December 31, 2009
Accounts receivable	$ 1,634,684	$ 1,039,136
Interest receivable	0	1,026
Miscelleneous receivable	3,110	4,246
Total amounts receivable	$ 1,637,794	$ 1,044,408

Note 9 – Inventory

	December 31, 2010	December 31, 2009
Finished Goods	$ 2,132,097	$ 1,047,472

The amount of inventory recognized as an expense in 2010 was $17,205,425 (2009 - $3,457,477), which is presented within cost of sales on the consolidated statements of operations.

Note 10 - Capital Assets

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer Hardware	$ 261,788	$ 103,659	$ 158,129	$ 152,073	$ 36,580	$ 115,493
Fixtures	22,872	11,102	11,770	22,986	7,955	15,031
Leasehold Improvement	170,918	49,065	121,853	89,631	26,848	62,783
	$ 455,578	$ 163,826	$291,752	$ 264,690	$ 71,383	$ 193,307

During the year ended December 31, 2010, the Company recorded amortization of $77,844 (2009 - $40,975).

Note 11 - Business Combination

On October 1, 2009, the Company completed the acquisition, through its wholly owned subsidiary Fireswirl Technologies (Shenzhen) Co., Ltd. ("Fireswirl Shenzhen"), of a 50% interest in Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD") in consideration for 6,058,673 common shares of the Company (the "Transaction"). The results of XCXD's operations have been included in the consolidated financial statements since that date.

Pursuant to the terms of the Transaction, the Company acquired 50% of all rights and interests of XCXD, including 50% of any before tax profit, in consideration for 6,058,673 common shares of the Company. The Company also has the option to acquire the remaining 50% rights and interests of XCXD in 2011 at a price determined in accordance with an agreed multiple of XCXD's pretax profit in 2010, subject to TSX Venture Exchange approval. Fireswirl Shenzhen has the right to exercise, at all meetings of shareholders, 51% of all voting rights attached to the issued and outstanding XCXD shares held by the XCXD shareholders.

The acquisition was accounted for using the acquisition method of accounting for business combinations using management's best estimates of fair values at the date of acquisition as follows:

Consideration		
Common shares issued	$	493,445
Allocation of purchase price		
Cash		322,747
Accounts receivable		1,133,305
Inventory		1,224,011
Capital assets		174,679
Goodwill (Note 12)		306,926
Accounts payable and accrued liabilities		(1,336,849)
Other short term liabilities		(1,028,936)
Long-term debt		(115,919)
Non-controlling interest		(186,519)
	$	493,445

Acquisition costs of $69,338 were included in the purchase price.

Note 12 - Goodwill

Balance – December 31, 2008	$	-
Acquisitions of XCXD on October 1, 2009 (Note 11)		306,926
Balance – December 31, 2009 and 2010	$	306,926

Note 13 – Net Income attributable to non-controlling Interest (NCI)

Balance – September 30, 2009	$	-
Acquisitions on October 1, 2009 (Note 11)		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

The Company's foreign subsidiary XCXD realized net income of $23,128 for the year ended December 31, 2010 (2009 – $631,946). Based on the Company's ownership of 50%, the remaining 50% of non controlling interest of $11,564 (2009: $315,973) for the year ended December 31, 2010 was reduced from the comprehensive loss before NCI in the consolidated statements of operations.

Note 14 – Investment in Tysen

On November 1, 2008, the Company's wholly owned subsidiary Fireswirl Shenzhen acquired a 21% interest in Beijing Tysen Xieli Technology Co. Ltd ("Tysen") a limited liability company incorporated under the laws of People's Republic of China. The total acquisition cost of Tysen was $509,038. The Company's control over this investment is considered to be significant Influence and is accounted for using the Equity Method.

Tysen reported a net loss of $nil for the year ended December 31, 2010 (2009 - $262,243). The Company's proportionate 21% share of Tysen's loss was $nil (2009 - $55,071) and has been recognized in the consolidated statement of operations for the years ended December 31, 2010 and 2009 and as a corresponding reduction of the cost of the investment.

Investment In Tysen	
Acquisition Cost, November 1, 2008	$509,038
The Company's share of Tysen's loss for the period from acquisition to December 31	(29,873)
Balance, December 31, 2008	$479,165
The Company's share of Tysen's loss for the period during the year 2009	(55,071)
Impairment on December 31, 2009	(424,094)
Balance, December 31, 2009	$0

On December 31, 2009, the Company recorded an impairment of $424,094 on the investment in Tysen balance due to the uncertainty of revenue streams with the Pushmail project.

Note 15 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of December 31, 2010 consisted of accounts payable and accrued expenses, wages and vacation payable, payroll remittances and customer deposits.

		December 31, 2010		December 31, 2009
Accounts payable and accrued expenses	$	638,500	$	787,070
Wages and vacation payable		7,166		33,400
Payroll remittances		1,453		751
Sales Tax Payable		3,351		0
Customer deposits		5,137		17,012
Total accounts payable and accrued liabilities	$	655,607	$	838,233

Note 16 - Short Term Loan

Continuity		2010		2009
Balance, January 1	$	1,199,756		
Short term loans received		2,683,656	$	1,199,756
Repayment of principals		(582,475)		
Balance, December 31		3,300,937		1,199,756

Outstanding balance at:		2010		2009
a) Short term loan received on May 27, 2009	$	1,188,337	$	770,000
b) Short term loan received on September 28, 2009				429,756
c) Short term loan received on September 16, 2010		603,600		
d) Short term loan received on October 9, 2010		1,509,000		
		3,300,937		1,199,756

As at December 31, 2010, the Company had total short term loans outstanding of RMB 21,875,000 (equivalent to $3,300,937). As of December 31, 2009, the Company had total short term loans of RMB 7,800,000 (equivalent to $1,199,756). The outstanding short term loans were comprised of the following facilities:

a) On May 27, 2009, RMB 5,000,000 (equivalent to $770,000 as of December 31, 2009) was received from Standard Chartered Bank. The loan bears variable interest at prime plus 1.25% per annum. This loan is revolving every six months. During the year ended December 31, 2010, the Company made a repayment of RMB1,000,000 (equivalent to $152,219) in June 2010. On June 22, 2010, the agreement has been renewed to June 21, 2015 and extended the loan limit to RMB10,000,000 (equivalent to $1,509,000) with 90 day revolving credit and it bears variable interest rate at prime plus 1.25% per annum. The outstanding loan balance is RMB 7,875,000 (equivalent to $1,188,338) as of December 31, 2010 (2009 – RMB 5,000,000 equivalent to $ 769,500).

b) On September 28, 2009, RMB 2,800,000 (equivalent to $429,756 as of December 31, 2009) was received from Bank of Beijing. The loan had variable interest at prime rate times 1.3 per annum and matured on July 20, 2010. Upon maturity, the Company has repaid the full amount of RMB 2,800,000 (equivalent to $ 430,256). As of December 31, 2010, the outstanding loan balance is RMB nil (equivalent to $nil) (2009 – RMB 2,800,000 equivalent to $429,756).

c) On September 16, 2010, RMB 4,000,000 (equivalent to $603,600 as of December 31, 2010) was received from Bank of Beijing. The loan has a term of one year and bears variable interest at prime rate times 1.3 per annum. Quarterly interest payment applies and the principal amount is due at the end of the loan period on September 16, 2011. As of December 31, 2010, the outstanding loan balance is RMB 4,000,000 (equivalent to $603,600 as of December 31, 2010).

d) On October 9, 2010, RMB10,000,000 (equivalent to $1,509,000 as of December 31,2010) was received from Bank of Communications. The loan has a term of one year and bears variable interest at prime rate times 1.2 per annum. Monthly interest payment applies and the principal amount is due on October 8, 2011. As of December 31, 2010, the outstanding loan balance is RMB10,000,000 (equivalent to $1,509,000 as of December 31, 2010).

The prime rate for short term loans in China was 5.31% in 2009 and from January 1, 2010 to October 20, 2010. The People's Bank of China announced an increase of 0.25% in its benchmark interest rate which resulted a prime rate of 5.56% as of October 20, 2010. The People's Bank of China raised another 0.25% on December 26, 2010 which resulted a primate rate of 5.81% until December 31, 2010.

During the year ended December 31, 2010, the Company recorded total interest expense of $97,655 (2009 - $37,211).

Note 17 - Long Term Loan

As at December 31, 2010, the Company had the following long-term loan outstanding:

RMB 800,000 (equivalent to $120,720 as of December 31, 2010) 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 carrying value of the loans are approximately RMB417,455 (equivalent to $62,994) as of December 31, 2010 (2009 – RMB 662,688 equivalent to CDN $102,056). Within this amount, RMB301,990 (equivalent to $45,570) is due within one year and classified as a current liability as of December 31, 2010 (2009 – RMB 245,233 equivalent to $37,741). The remaining loan balance of RMB115,465 (equivalent to CDN $17,424) is recorded as long term loan as of December 31, 2010 (2009 - RMB 417,455 equivalent to CDN $64,315).

During the year ended December 31, 2010, $17,711 (4th quarter in 2009 - $5,675) of interest paid on the long-term loan was recognized in expenses.

Note 18 - Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value. However, under CICA Handbook Section 3500.33, when an enterprise has a loss before discontinued operations and extraordinary items or a loss before discontinued operations and extraordinary items available to common shareholders, including potential common shares in the computation of the diluted per share amount of that loss is always anti-dilutive. Accordingly, there is no difference in the amount presented for basic and diluted loss per share.

Note 19 - Share Capital and Contributed Surplus

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

	Number of Shares	Share Capital	Contributed Surplus Warrants	Contributed Surplus Options
Balance, December 31, 2008	25,302,612	5,186,310	2,606,979	689,803
Shares issued to XCXD on October 1, 2009	6,058,673	424,107		
Fair value of options granted in 2008 and vested in 2009				17,271
Fair value of options granted on January 2, 2009				8,000
Fair value of options granted on November 10, 2009				9,346
Balance, December 31, 2009	31,361,285	5,610,417	2,606,979	724,419
Fair value of options granted on November 10, 2009				7,054
Shares issued by private placement on June 17, 2010	7,000,000	350,000		
-Issuance cost		(5,152)		
Balance, December 31, 2010	38,361,285	$ 5,955,265	$ 2,606,979	$ 731,474

On May 1, 2006, the Company purchased all the issued and outstanding securities of Fireswirl Systems Inc. for consideration comprised of 12,300,000 common shares at a deemed price of $0.80 per share and $300,000 in cash. A finder's fee of 500,000 common shares was paid in connection with the acquisition.

a) Concurrent with the acquisition noted above, the Company completed a private placement of 4,000,000 subscription receipts at a price of $0.80 and for gross proceeds of $3,200,000. Each subscription receipt was exchanged without any further action on the part of the holder thereof and for no additional consideration for one Redstone unit upon completion of the acquisition. Each unit consists of one Redstone common share and half of one Redstone share purchase warrants. Each whole Warrant will entitle the holder to acquire one Share at an exercise price of $1.10 per Share for a period of twenty-four months following completion of the offering. The offering was closed on May 18, 2006.

   Compensation warrants were issued in connection with the above placement. Additionally a cash commission of 7% of the gross proceeds was paid to the agents.

b) On February 22, 2007, the Company completed a non-brokered private placement financing of 4.5 million units at $1.00 per unit. Each unit consists of one common share and one half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share for $1.25 for a period of 2 years from the date of closing. The warrants also include a forced conversion clause that will come into effect if the price of the underlying shares exceeds $1.50 for a period of 30 consecutive trading days.

On October 1, 2009, the Company issued 6,058,673 common shares for $424,107 in the acquisition of XCXD as consideration of the assets and liabilities transferred. (Note 11)

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.

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.

	2010		2009	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding, beginning of year	1,590,000	0.33	1,580,000	0.51
Granted	-	-	610,000	0.07
Forfeited	-	-	(600,000)	0.55
Outstanding, December 31	1,590,000	0.33	1,590,000	0.33
Exercisable, December 31	1,590,000	0.33	1,285,000	0.39

On January 2, 2009, the Company granted 200,000 new options at an exercise price of $0.12 to one of its officers. These granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.04. On November 10, 2009, the Company granted 410,000 new options at an exercise price of $0.05 to its employees, officers and directors. Granted options vested 50% immediately and 50% to be vested in one year. The options are exercisable over 5 years. The grant date fair value of options was $0.04.

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

There were no options granted, forfeited or exercised during the year ended December 31, 2010.

	Options Outstanding		Options Exercisable	
Exercise Price ($)	Number of options	Weighted average remaining life (Years)	Number of options	Weighted average remaining life (Years)
0.05	410,000	3.86	410,000	3.86
0.12	300,000	2.99	300,000	2.99
0.30	705,000	1.13	705,000	1.13
0.80	175,000	0.39	175,000	0.39
	1,590,000	2.10	1,590,000	2.10

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% - 145%
Expected life	1 year to 5 years

Warrants

Pursuant to the term of a non brokered private placement on February 22, 2007, the Company issued 2,250,000 share purchase warrants with an exercise price of $1.25 exercisable over two years. The warrants included a forced conversion clause that will come into effect if the price of the underlying shares exceeds $1.50 for a period of 30 consecutive trading days.

2,250,000 of warrants expired on February 22, 2009.

There were no warrants issued or exercised during the year ended December 31, 2010 and 2009.

Note 20 – Income Taxes

The following table reconciles the expected income tax payable (recovery) at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2010 and 2009.

		December 31, 2010		**December 31, 2009**
Net income (loss) before tax	$	(781,255)	$	(992,287)
Income tax rate		28.5%		30%
Expected income tax expense (recovery) at above rates		(222,658)		(297,686)
Increase (decrease) due to:				
Impact of lower statutory rates on foreign subsidiaries		42,558		79,186
Effect of reduced tax rate		-		30,749
Non-deductible stock based compensation		2,010		10,385
Other permanent differences		24,444		109,152
Valuation allowance		248,075		155,266
Provision for income taxes	$	94,430	$	87,051

The potential benefit arising from the operating losses has been recognized as a future tax asset. To the extent that these benefits may not be realized, a valuation allowance is provided.

The following tables reflect future income tax assets and liabilities as at December 31, 2010 and 2009:

		December 31, 2010		December 31, 2009
Future income tax assets:				
Non-capital loss carry forwards (Canada)	$	947,638	$	925,656
Non-capital loss carry forwards (China)				21,989
Unamortized share issuance costs		13,200		13,200
Tax value of intangible assets in excess of book value (Canada)		283,525		292,872
Tax value of intangible assets in excess of book value (China)		127,260		127,260
Tax value of capital assets in excess of book value		38,384		21,337
Valuation allowance		(1,650,389)		(1,402,314)
	$	-	$	-

The Company has non-capital losses available for carry forward expiring in the following years:

		December 31, 2010
2015	$	218,922
2017		1,400
2018		47,933
2026		897,677
2027		803,560
2028		1,543,463
2029		482,155
2030		454,412
Indefinite		502,197
	$	4,951,719

The combined non-capital losses from the Company's Hong Kong subsidiaries, Fireswirl Mobile Solutions Ltd. and Fireswirl Asia Ltd. available for carry forward was $502,197 that can be carried forward indefinitely.

Note 21 - Related Party Transactions

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

	Twelve months ended			
		December 31, 2010		December 31, 2009
Expenditures:				
- Salaries and severance	$	269,417	$	272,650
- Professional fees		62,500		60,000
- Director fees		8,800		12,464
	$	340,717	$	345,114

During the year ended December 31, 2010, the Company paid $269,417 (same period in 2009: $272,650) in salaries to its management. Also, the Company paid $62,500 (same period in 2009: $60,000) in professional fees to one of its officers and paid $8,800 (same period in 2009: $12,464) as director fees.

		December 31, 2010		December 31, 2009
Accounts payable	$	17,181	$	33,206
Due to Shareholders of Fireswirl Technologies Inc.		73,923		-
Due to Shareholders of XCXD		313,485		517,545
	$	404,589	$	550,751

As of December 31, 2010, the accounts payable balance included $17,181 (December 31, 2009: $33,206) incurred from regular operational expenses outstanding to officers of the company. As of December 31, 2010, the Company also had $73,923 (December 31, 2009: $nil) due to a shareholder of Fireswirl Technologies Inc. and $313,485 (December 31, 2009: $517,445) 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 22 - Segmented Information

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

	Twelve Months Ended			
		December 31, 2010		December 31, 2009
China	$	20,116,732	$	4,931,579
United Kingdom		112,563		19,511
USA		47,787		34,220
	$	20,277,082	$	4,985,310

No customer accounted for greater than 10% of the Company’s sale during the year ended December 31, 2010 and 2009.

The Company’s long-term assets are located in Canada and China at December 31, 2010 as follows:

		China		Canada		Total
Capital Assets	$	281,792	$	9,960	$	291,752
Goodwill		306,926				306,926
Deferred development costs		19,176				19,176
Total	$	607,894	$	9,960	$	617,854

The Company’s long-term assets are located in Canada and China at December 31, 2009 as follows:

		China		Canada		Total
Capital Assets	$	181,979	$	11,328	$	193,307
Goodwill		306,926				306,926
Deferred development costs		18,964				18,964
Total	$	507,869	$	11,328	$	519,197

Note 23 - Credit Risk and Financial Instruments

Credit risk

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

There were no overdue accounts receivables outstanding as of December 31, 2010.
As at December 31, 2010, there are three individual balance over 10% of the total AR Balance and altogether accounted for $1,165,746 (RMB7,725,287) while as at December 31, 2009, $646,800 (RMB4,200,000) due from one customer balance over 10% of the total AR Balance was included in the balance of accounts receivable.

Currency risk

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

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

	December 31, 2010	December 31, 2009
US dollars:		
- Cash and cash equivalents	$64(US$64)	$17,230 (US$16,447)
- Accounts receivable		$13,071 (US$12,477)
Hong Kong Dollars		
- Cash and cash equivalents	$5,726(HK$44,657)	$13,575 (HK$100,540)
China Yuan Renminbi		
- Cash and cash equivalents	$776,670(￥5,146,918)	$901,755(￥5,855,550)
- Restricted cash	$362,160(￥2,400,000)	$308,000(￥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, 2010, 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	US dollar	HK dollar
Cash	$ 776,670	$ 64	$ 5,726
Restricted cash	362,160	-	-
Short term investment and marketable securities available on sale	-	-	-
Accounts Receivable	1,637,795	-	-
Other financial assets	578,242	-	56,357
Accounts payable and accrued liabilities	(501,639)	-	(78,189)
Other financial liabilities	(3,346,508)	-	-
Shareholder loans	(313,485)	-	(73,923)
Net financial assets	$ (806,765)	$ 64	$ (90,029)

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	US dollars	HK dollars
Net income	$ (8,068)	$ 1	$ (900)
Comprehensive income	$ (8,068)	$ 1	$ (900)

Fair Value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

The fair value hierarchy established by CICA Handbook Section 3862 – Financial Instruments – Disclosures (“Section 3862”) establishes three levels to classify the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

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

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

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

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

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

The fair value of long-term loan approximates its amortized costs using the effective interest method.

The fair value of loan from shareholders could not be determined as there are no fixed terms of repayment.

The following table is a classification of fair value measurements recognized using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as at December 31, 2010:

Assets	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 783,699	$ -	$ -	$ 783,699
Restricted Cash	362,160	-	-	362,160
Total Financial Assets	$ 1,145,859	$ -	$ -	$ 1,145,859

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 year ended December 31, 2010 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 +/- $168,196 (2009 - +/- $65,091).

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

Limitations of sensitivity analysis

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

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

Liquidity Risk

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

As at December 31, 2010 the Company has accounts payable and accrued liabilities of $655,607 due within 12 months (2009 - $1,017,886). As at December 31, 2010 the Company has short term loans of $3,300,937 (2009 - $1,199,756), see note 16. As at December 31, 2010 the Company is holding cash and cash equivalents of $783,699 (2009 - $1,467,401). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

Note 24 - Commitments and Contingencies

(a) The Company has lease obligations with its previous premises under an arrangement which expires on June 30, 2011. The future minimum payment under the operating lease is $30,924.

(b) A foreign subsidiary Fireswirl Technologies (Shenzhen) Company Ltd. has a lease obligation of $1,330 (RMB8,815) per month until the lease expires on September 12, 2011.

(c) A foreign subsidiary XCXD has a lease obligation of $10,286 (RMB68,166) per month until the lease expires on December 1, 2013.

(d) A foreign subsidiary XCXD has a lease obligation of $1,439 (RMB9,534) per month until the lease expires on July 19, 2011.

Note 25- 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, 2010 $	December 31, 2009 $
Shareholder Equity	1,268,021	1,807,816

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 26 – Supplemental Disclosure with Respect to Cash Flows

	Twelve months Ended	
	December 31, 2010	December 31, 2009
Cash paid during the period for interest	$115,366	$42,886
Cash paid during the period for income taxes	$94,430	$87,051

During the year ended December 31, 2010, Income taxes of $94,430 were incurred from XCXD's operations in China (2009 - $87,051).

There were no significant non-cash transactions during the year ended December 31, 2010 and 2009.

Note 27- Subsequent Event

On April 1, 2011, the Company announced that, subject to final regulatory approval, it intends to carry out a private placement (the "Private Placement") for 6,100,000 units (each a "Unit") at a subscription price of $0.13 per Unit. Each Unit will consist of one common share (a "Share") and one-half of a share purchase warrant (a "Warrant"). Each whole Warrant will entitle 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 will be subject to a hold period that expires four months and a day from the closing date in accordance with the rules and policies of the TSX Venture Exchange ("TSX-V") and applicable Canadian securities laws and such other further restrictions as may apply under foreign securities laws.

The Company is expecting to raise aggregate gross proceeds of $793,000 from the sale of the Units. Upon closing, subject to TSXV approval, Fireswirl may pay a finder's fee to an arm's length party within the maximum amount permitted by the policies of the TSXV.

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

Note 28 – Comparative Figures

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