Fireswirl

Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the three and nine months ended September 30, 2015

November 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Fireswirl Technologies Inc. ("Fireswirl" or the "Company") condensed interim consolidated financial statements and the accompanying notes for the period ended September 30, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information about the Company is available on SEDAR at (www.sedar.com) under Fireswirl Technologies Inc. and on the Company website at www.fireswirl.com.

Special Note Regarding Forward Looking Statements

This MD&A contains certain forward looking statements which reflect management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, level of activity, performance or achievements or other future events constitute forward looking statements. Whenever possible, words such as "anticipate", "estimate", "may", "will", "could", "should", "expect", "plan", "intend", "believe", "estimate", or "potential" or similar words, have been used to identify these forward looking statements.

The Company cautions that the forward-looking statements reflect the current views and/or expectations of the Company with respect to its performance, business and future events. Investors are cautioned that all forward looking statements involve risks, uncertainties and assumptions. Including, without limitations, those relating to a limited operating history, an uncertain regulatory environment, a competitive environment, internet viability and system infrastructure and reliability, dependence on key personnel and foreign exchange fluctuations. These risks may cause the Company's actual results to differ materially from those projected in the forward looking statements. The Company does not undertake any obligations to release publicly any revisions for updating any voluntary forward looking statements.

Factors which could cause results or events to differ from current expectations include among other things: the impact of government legislation; the impact of competition; the ability of the Company to retain and attract qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with current and perspective major customers; general industry and market conditions, growth rates and currency rate fluctuations. The Company disclaims any intentions or obligations to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed or implied by forward looking statements within this disclosure will occur; or if they do, that any benefits can be derived from them.

Past performance has been considered in drawing conclusions with respect to forward looking statements contained in this MD&A.

OVERVIEW

Fireswirl Technologies Inc. (TSX Venture: FSW; “the Company” or “Fireswirl”) was founded in 1999 and operated as a software development and project management company specializing in payment platforms and online gaming software for the internet. In 2006, the Company became a publically listed company through a reverse takeover and a $3.2 million equity financing accompanying its qualifying transaction.

In 2007, the Company has formed its first wholly owned subsidiary in China to explore the rapidly emerging market. The Company has since increased its business presence in the country gradually.

In 2009, the Company successfully completed its acquisition of 50% of all rights and interests of Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD"), an e-commerce outsourcing and fulfillment solution provider in China, in consideration for 6,058,673 common shares of the Company. Fireswirl has majority voting rights and majority board control over XCXD according to the agreements related to the transaction.

CORPORATE SUMMARY

Fireswirl specializes in the branded online store outsourcing market in China. Fireswirl, together with its subsidiary XCXD is currently the operator of the branded official online store or the Tmall Flagship Store for Toys “R” Us, Hugo Boss, Casio, LEGO and many other international brands in China. The Company either deals directly with brand clients or deals with brand clients through commercial partners, such as eBay Enterprise, a wholly owned subsidiary of eBay Inc.

Fireswirl is continuing to execute on its business plan and to providing the technology, operational service and fulfillment know-how for these brands to break into China’s rapid growing e-commerce market. China, being the predominant geographic location for Fireswirl, has over 1.3 billion people in population and is the fastest growing major economy in the world. To this end, the business opportunities in China are considered by management to be significant. The e-commerce market in China continues to expand at a rapid rate.

Fireswirl operates the “official online store” in China of its international brand clients that it has contractual agreements with directly or through its commercial partners, thus it is not in direct competition with most other online retailers who do not represent any particular brand and sell products from a variety of brand names. The Company generates its revenues mainly from reselling branded products on the respective official branded online stores it operates. As the Company’s business model evolves, it also generates revenue from sales-based service fee and other service fees for operating some of these official branded online stores without being the product reseller. Regardless of being a reseller or a service provider, management views this as a major competitive advantage over other online retailers in China. As China e-commerce is becoming a priority for many international brands, the collaboration between these brands and Fireswirl is an important part of the company’s sustainable growth strategy.

Fireswirl also operates the Tmall Flagship Store for a number of international brands. Tmall is an online marketplace where many domestic and local brands sell their products under its own branded flagship store within the marketplace. Tmall is the most popular online shopping destination in China, and it is also the world’s largest e-commerce operation in terms of transacted merchandise value. XCXD is an official Taobao Partner licensed to help international brands launch and operate their stores within Tmall.

During the first quarter of 2015, the Company, together with certain subsidiaries, has completed a business asset sale to Fung Holdings (1937) Limited ("Fung"). The business asset comprises the Shenzhen e-commerce platform, which provides solutions catering to the Omni Channel requirements of customers, together with the fixed assets, goodwill, intellectual property and customer contracts (collectively referred as “Business Assets”). The aggregate proceeds of the Business Assets sales is $6,500,000. A further amount of up to $1.5 million will be payable by Fung to the Company if the

Company can successfully transfer or assign another two contracts as specified in the purchase agreement. There is no guarantee that such assignments will be consummated as contemplated.

On March 25, 2015, Fireswirl, together with its subsidiaries, has received an initial payment of $2,975,000 net of normal working capital adjustments and novation of certain customer contracts totaling $275,000. During the three months ended September 30, 2015, the Company fulfilled all the conditions for receiving the remaining Business Assets proceeds of $3.25 million. The 3.25 million was received in October 2015.

SUMMARY OF FINANCIAL RESULTS

Key Financial Events

- Total operating revenue decreased to $12,894,188 and $34,893,298 for the three and nine months ended September 30, 2015, respectively, compared to $15,735,735 and $38,303,960 for the same periods in 2014, representing a decrease of 18.06% and 8.9%. Merchandise revenue decreased by 17% and 8.72% during the three and nine months ended September 30, 2015 respectively compared to the same periods in 2014. Service revenue decreased by 27.69% and 10.39% respectively during the three and nine months ended September 30, 2015 compared to the same period in 2014.

- Total operating expense was $13,036,548 and $35,769,105 for the three and nine months ended September 30, 2015, respectively, compared to $16,040,340 and $39,004,064 for the same periods in 2014, representing a decrease of 18.73% and 8.29% respectively. The decrease was mainly due to the decrease in purchases partly offset by an increase in technical service fee. The overall decrease in operating expenses is consistent with the decrease in operating revenue.

- The Company reported a net income on common shares of $2,930,943, or $0.05 per share and a net income on common shares $4,819,799, or $0.09 per share for the three and nine months ended September 30, 2015, respectively, compared to a net loss on common share of $238,087, or $0.01 loss per share and $833,059 or $0.02 loss per share for the same periods of 2014. Included in the net income, there is a gain recognized as a result of disposition of Business Assets in the amount of $3,250,000, or $0.06 per share and $6,200,385, or $0.12 per share for the three and nine months ended September 30, 2015, respectively.

- As at September 30, 2015, the Company had cash and cash equivalents of $263,626 compared to $549,112 as at December 31, 2014, representing a decrease of 52%. As at September 30, 2015, the Company had working capital of $4,802,355 compared to working capital deficiency of $109,798 as at December 31, 2014.

SELECTED QUARTERLY FINANCIAL DATA

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters:

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Operating revenues								
Sales revenue	11,767,723	10,731,903	8,685,975	11,863,193	14,178,004	10,710,765	9,277,366	10,723,830
Service revenue	1,126,465	923,842	1,657,391	1,780,605	1,557,731	1,720,197	859,896	1,217,548
	12,894,188	11,655,745	10,343,366	13,643,798	15,735,735	12,430,962	10,137,262	11,941,378
Other operating revenue	-	-	181	-	374	3		
Total operating revenues	12,894,188	11,655,745	10,343,547	13,643,798	15,736,109	12,430,965	10,137,262	11,941,378
Operating expenses								
Purchases	10,011,196	9,451,185	7,354,262	11,649,931	13,852,784	10,698,497	8,372,131	9,886,366
Delivery charges	212,571	235,345	167,321	223,166	189,472	181,110	107,297	146,754
Technical service charge	1,683,275	1,186,063	1,305,239	1,014,223	667,187	512,321	534,174	941,390
Other related expense	2,583	35,684	25,843	13,239	35,188	70,012	32,056	27,508
Foreign exchange (gain)/loss	3,978	16,614	198,009	17,916	1,643	1,337	4,828	876
Amortization	26,879	18,508	18,309	17,883	19,839	16,897	21,507	43,459
Sales and marketing	21,380	31,168	38,690	42,940	33,205	33,525	47,643	40,187
General administration	419,705	336,693	291,175	386,639	380,609	279,668	283,997	266,594
Salaries and benefits	653,881	641,201	1,364,279	928,584	860,413	891,170	875,552	723,334
Share-based payment expense	1,100	16,551	-	-	-	-	-	-
Loss on disposal of assets	-	418	-	18,583	-	-	-	452
Bad debt expense	-	-	-	-	-	-	-	-
Total operating expense	13,036,548	11,969,430	10,763,127	14,313,104	16,040,340	12,684,537	10,279,185	12,076,919
Operating Income (Loss)	(142,360)	(313,685)	(419,580)	(669,306)	(304,231)	(253,572)	(141,923)	(135,541)
Gain on sale of assets	3,250,000	-	2,950,385					
Finance income	2,380	852	3,376	3,044	2,802	2,796	4,310	3,013
Finance costs	(223,353)	(120,275)	(126,398)	(119,616)	(139,579)	(76,888)	(140,461)	(19,794)
Income (loss) before income tax	2,886,667	(433,108)	2,407,783	(785,878)	(441,008)	(327,664)	(278,074)	(152,322)
Income tax recovery (expenses)	-	(7,159)	-	772	(2,693)	(8,934)	(2,569)	(11,254)
Net income (loss)	2,886,667	(440,267)	2,407,783	(785,106)	(443,701)	(336,598)	(280,643)	(163,576)
Other comprehensive income (loss)								
Foreign exchange currency adjustment	16,368	(24,558)	167,632	48,929	157,759	(91,463)	(7,638)	89,099
Comprehensive income (loss)	2,903,035	(464,825)	2,575,415	(736,177)	(285,942)	(428,061)	(288,281)	(74,477)
Net income (loss) attributable to:								
Common shares	2,930,943	(372,547)	2,261,404	(619,876)	(238,087)	(324,145)	(270,827)	(128,964)
Non-controlling interest	(44,276)	(67,720)	146,379	(165,230)	(205,614)	(12,453)	(9,816)	(34,612)
	2,886,667	(440,267)	2,407,783	(785,106)	(443,701)	(336,598)	(280,643)	(163,576)
Comprehensive income (loss) attributable to:								
Common shares	2,955,043	(398,671)	2,412,716	(584,437)	(122,398)	(393,902)	(268,532)	(56,194)
Non-controlling interest	(52,008)	(66,154)	162,699	(151,740)	(163,544)	(34,159)	(19,749)	(18,283)
	2,903,035	(464,825)	2,575,415	(736,177)	(285,942)	(428,061)	(288,281)	(74,477)
Basic/Diluted income (loss) per share	$ 0.05	$ (0.01)	$ 0.04	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)

QUARTERLY RESULTS

Comparison of the three and nine months ended September 30, 2015 and 2014

Revenue

The Company reported total operating revenue of $12,894,188 and $34,893,298 for the three and nine months ended September 30, 2015, respectively, compared to $15,735,735 and $38,303,960 for the same periods in 2014, representing a decrease of 18.06% and 8.9%, respectively. Merchandise revenue decreased by 17% and 8.72% while service revenue decreased by 27.69% and 10.39%, respectively. The decrease in service revenue is mainly due to the decrease in setup, customization and software development and deployment fee in the three months ended September 30, 2015.

The breakdown of the Company's revenues by category for the three and nine months ended September 30, 2015 and 2014 are as follow:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Merchandise resale and trading	$ 11,767,723	$ 14,178,004	$ 31,185,600	$ 34,166,136
Service and software fees	1,126,465	1,557,731	3,707,698	4,137,824
Total Revenue	12,894,188	15,735,735	34,893,298	38,303,960
Purchases	10,011,196	13,852,784	26,816,643	32,923,412
Technical service fee	1,683,275	667,187	4,174,577	1,713,682
Delivery charges	212,571	189,472	615,237	477,879
Other related expense	2,583	35,188	64,110	137,257
Total Cost of Goods Sold	11,909,625	14,744,631	31,670,567	35,252,230
Gross profit	$ 984,563	$ 991,104	$ 3,222,731	$ 3,051,730

The gross profit margin was 7.6% and 9.2% for the three and nine months ended September 30, 2014, respectively, (same periods in 2014 - 6.3% and 8.0%).

Operating Expenses

Total operating expenses decreased to $13,036,548 and $35,769,105 for the three and nine months ended September 30, 2015, respectively, compared to $16,040,340 and $39,004,064 for the same periods of 2014, representing a decrease of 18.73% and 8.29%, respectively.

Cost of Goods Sold

Cost of goods sold consists of the cost of purchasing the merchandise, the related sales tax, delivery, technical service and other related expenses. The overall cost of goods sold decreased to $11,909,625 and $31,670,567 for the three and nine months ended September 30, 2015, respectively, compared to $14,744,631 and $35,252,230 for the same periods in 2014, representing a decrease of 19.2% and 10.2%, respectively. The decrease of the cost of goods sold is consistent with the decrease of revenue in the same period.

Foreign Exchange Loss

The Company recognized foreign exchange loss of $3,978 and $218,600 for the three and nine months ended September 30, 2015, respectively, compared to $1,643 and $7,810 for the same periods in 2014. The Company does not utilize any hedges or forward contract arrangements.

Amortization

The Company reported depreciation and amortization expense of $26,879 and $63,696 for the three and nine months ended September 30, 2015, respectively, compared to $19,839 and $58,243 for the same periods in 2014, representing an increase of 35.49% and 9.36%, respectively. This increase is mainly due to purchase of software license and leasehold improvement expense incurred by XCXD during the second fiscal quarter of 2015.

Sales and Marketing

Sales and marketing expense decreased to $21,380 and $91,239 for the three and nine months ended September 30, 2015, respectively compared to $33,205 and $114,373 for the same periods in 2014, representing a decrease of 35.61% and 20.23%, respectively.

General Administrative

General administrative expense increased to $419,705 and $1,047,991 for the three and nine months ended September 30, 2015, respectively, compared to $380,609 and $944,274 for the same periods in 2014, representing an increase of 10.27% and 10.98%, respectively. The increase is mainly due to increase of legal fees and consultancy fee related to the sale of the Business Assets.

Salaries and Benefits

Salaries and benefits expense decreased to $653,881 and increased to $2,659,361 for the three and nine months ended September 30, 2015, respectively, compared to $860,413 and $2,627,134 for the same periods in 2014, representing a decreases of 24% and an increase of 1.23%, respectively. The overall decrease of salaries and benefits for the three months ended September 30, 2015 compared to the same period last year is mainly attributable to the disposition of Business Assets completed in March 2015. As a result, the salaries and benefit in Vancouver and Shenzhen office has decreased. The increase of salary and benefit for the nine months ended September 30, 2015 compared to the same period last year is mainly due to the severance and bonus payment totaling $378,700 in connection with the disposition of the Business Assets.

Gain on sale of Business Assets

On March 25, 2015 the Company completed the sale of its Shenzhen e-commerce platform business to Fung Holdings (1937) Limited which includes: (i) property and equipment with carrying value of $24,615; and (ii) goodwill, intellectual property and customer lists and contracts with carrying amount of $nil.

The total proceeds after working capital adjustment is $6,225,000, of which $2,975,000 was received in March 2015. The balance of $3,250,000 will be received upon satisfaction of certain conditions, including the resignation of Mr. Tony Lau ("Mr. Lau") as the Company's chief executive officer and Mr. Lau joining Fung as an employee within nine months of completion of the sale (the "Payment Conditions"). The Company fulfilled the Payment Conditions in September 2015 and received the remaining balance of the proceeds in October 2015.

In connection with the completion of the sale, the Company repaid the principal amount of the $400,000 interest-free loan from Fung to the Company, which had been granted on October 24, 2014, by way of set-off against the purchase price.

Interest and Other Income

The Company recorded $2,380 and $6,790 of interest and other income for the three and nine months ended September 30, 2015, respectively, (same periods in 2014 - $3,176 and $10,285). This interest income is mainly earned through the restricted cash deposits held by XCXD.

Finance Expense

The Company recorded $223,353 and $470,026 of interest expense for the three and nine months ended September 30, 2015, respectively, (same periods in 2014 - $139,579 and $356,927). This interest expense mainly relates to the short term loans held by XCXD.

Net Comprehensive Income (Loss)

The Company reported net comprehensive income attributable to the common shares of $2,955,043 and $4,969,087 for the three and nine months ended September 30, 2015, respectively, compared to net comprehensive loss attributable to the common shares of $122,398 and $784,831 for the same periods in 2014.

Diluted income per share was $0.05 and $0.09 for the three and nine months ended September 30, 2015, respectively, compared to a diluted loss per share of $0.01 and $0.02 for the same period in 2014.

Non-Controlling Interest

The Company's foreign subsidiary, XCXD realized a net loss of $88,552 and a net gain of $68,766 for the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014 with a net loss of $411,228 and $455,766. Based on the Company's ownership of 50%, only 50% of the net income or loss is being included in condensed interim consolidated statement of loss.

CASH FLOW STATEMENT

Operating Activities

Cash from operating activities was an outflow of $1,300,983 and $2,177,550 for the three and nine months ended September 30, 2015, respectively, compared to an inflow of $57,956 and an outflow of $2,748,147 for the same periods in 2014. The cash outflow for the three months ended September 30, 2015 is mainly due to the increase of deposits and prepayments and inventories and offset with collection of a receivable from a related party and increase of accounts payable and accrued liabilities.

Investing Activities

Cash from investing activities was an outflow of $150,000 and an inflow $2,785,980 for the three and nine months ended September 30, 2015, respectively, compared to an outflow of $42,328 and $73,398 for the same periods in 2014. During the three months ended September 2015, the Company made $150,000 investment in a private Canadian company named Empower Environmental Solutions Ltd. ("EMP"), representing approximately 4% of equity interest. EMP is a private entity based in Canada and is in a recycling business focusing on reuse and recycling of asphalt shingles in North America. The cash inflow for the nine months ended September 30, 2015 mainly attributed from the initial net proceeds of $2,975,000 received in March 2015 in connect with the disposition of the Business Assets.

Financing Activities

Cash from financing activities was an inflow of $670,257 and an outflow of 915,687 for the three and nine months ended September 30, 2015, respectively, compared to an outflow of $33,553 and an inflow of $2,852,419 for the same periods in 2014. The cash inflow is mainly resulting from the proceeds received from the short term loans exceeding the repayments made during the three months ended September 30, 2015. The cash outflow for the nine months ended September 30, 2015 mainly resulting from the repayments of the short term loan exceeding the proceeds received and the repayment of the related parties' balance during the nine months ended September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The Company has $263,626 in cash and cash equivalents and working capital (defined as current assets less current liabilities) of $4,802,355. With the recent dramatic change decline in the global economic environment results in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. Contractual commitments are summarized in "Contractual Obligations" section of this MD&A. 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 condensed consolidated interim 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.

The Company does not have commitments for capital expenditures as of September 30, 2015. The Company's capital resources consist of common share issuances.

Contractual Obligations

The Company signed an extended three year lease agreement for an office space in Vancouver which will expire on April 30, 2018. The foreign subsidiary XCXD has a lease obligation of $21,811 (RMB103,333) per month until December 1, 2017 where rent will increase by 5% until lease expired on November 30, 2018. It has also a lease obligation for its Beijing warehouse facility of approximately $73,876 (RMB350,000) per year until September 15, 2016 where rent will increase to $84,930 (RMB400,000) until September 14, 2019 when the lease expires.

The Company's future minimum annual payments under operating leases are the following:

2015	$ 105,486
2016	385,294
2017	417,552
2018	359,780
2018	66,840
Total	$ 1,334,952

TRANSACTIONS BETWEEN RELATED PARTIES

During the nine months ended September 30, 2015, the Company paid $231,228 (same period in 2014 - $182,700) in salaries to its management including a special bonus of $125,000 regarding the sale of the Business Assets. The Company paid $87,763 (same period in 2014 - $Nil) in consulting fees to one of its officers and $42,000 (same period in 2014 - $12,000) as director fees including a special bonus of $30,000 regarding the sale of the Business Assets.

As of September 30, 2015, the accounts payable balance includes $21,262 (same period in 2014 - $52,231) that is incurred from regular operational expenses outstanding to an officer of the Company and the Company also had a balance of $39,298 (same period in 2014 - $567,029) due to the shareholders of Fireswirl and XCXD. Due to related parties are unsecured, non-interest bearing and have no specific repayment date.

XCXD and a related company, Yatan Technology Development Ltd (Yantan"), signed an e-commerce collaboration agreement on January 6, 2014. Yantan's senior management is one of the shareholders of XCXD. XCXD provides funding to Yantan to purchase inventory and in return XCXD will be entitled to a commission based on the revenue after Yantan sells its inventory. The rate of commission is still being negotiated by the two parties. XCXD's president and the shareholder are the guarantors for this arrangement. The guarantors are responsible for the balance due from Yantan if it is not able to pay back the balance. As of September 30, 2015, XCXD has a receivable balance of $291,717 to this related company (December 31, 2014 - $1,448,182). XCXD had not generated any revenue in connection with this arrangement.

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.

NEW AND AMENDED IFRS PRONOUNCEMENTS

New IFRS pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standard or interpretation in the annual period for which it is required.

IFRS 9 Financial instruments
IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income, and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard to the Company's consolidated financial statements.

IFRS 15 Revenue from contracts with customers
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15) to replace IAS 18, Revenue and IAS 11, Construction Contracts and the related interpretations on revenue recognition. The new revenue standard introduces a single principles-based five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price, and recognize revenue when a performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers.

In September 2015, the IASB issued an amendment to IFRS 15 to delay the effective date by one year to annual periods beginning on or after January 1, 2018. The Company is currently assessing the effect of this standard to the Company's consolidated financial statements.

RISKS AND UNCERTAINTIES

Important risks factors that could cause actual results, performance or achievements to be materially different than past performance or those implied by forward looking statements include:

- Foreign currency exchange risk
- Uncertainty as to the degree of new and continuing market acceptance of our products;
- Our products could contain defects that lead to costs, damage of reputation or litigation;
- Our dependence on brand partners' performance;
- Uncertainty regarding future profitability;
- Uncertainty regarding the pricing, reporting and collection of accounts;
- Risks associated with sales in foreign countries and their government policy and regulations therein
- Our ability to attract and retain key personnel

OUTSTANDING SHARE CAPITAL

As at September 30, 2015, there are (i) 53,571,285 common shares issued and outstanding and (ii) 1,705,000 incentive stock options outstanding at a weighted average exercise price of $0.14 per share.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2015 and the date of this report the Company has not entered into any off balance sheet arrangements.

PROPOSED TRANSACTIONS

There are at present no transactions outstanding that have been proposed but not approved by either the Company or regulatory authorities.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

	Classification		September 30, 2015		December 31, 2014
Financial assets					
Cash and cash equivalent	loan and receivable	$	263,626	$	549,112
Restricted cash	loan and receivable		577,022		586,622
Accounts receivable	loan and receivable		786,218		550,277
Assets sale receivable	loan and receivable		3,250,000		-
Due from a related party	loan and receivable		291,717		1,606,144
Investment	available for sale		150,000		-
Financial liabilities					
Accounts payable and accrued liabilities	other financial liabilities		2,353,008		1,518,928
Loans from shareholders	other financial liabilities		39,298		567,029
Short term loans	other financial liabilities		8,409,334		7,961,543

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. As at September 30, 2015, the Company's maximum credit risk relates to amounts receivable of $786,218 (December 31, 2014 - $550,277).

There were no overdue amounts receivables outstanding as of September 30, 2015. As at September 30, 2015, there is one customer's receivable balance in the amount of $258,381 (equivalent to RMB1,228,048) representing more than 10% of the total accounts receivable balance, while as at December 31, 2014, there is one customer's receivable balance in the amount of $149,250 (equivalent to RMB800,000) presenting more than 10% of the total accounts receivable 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 and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

		Chinese RMB in CAD		US dollar in CAD		HK dollar in CAD
Cash	$	220,711	$	4,941	$	898
Restricted cash		577,022		-		-
Accounts receivable		770,151		7,870		-
Accounts payable and accrued liabilities		(2,221,896)		-		-
Short term loans		(8,409,334)		-		-
Shareholder loans		(39,156)		-		-
Net financial assets (liabilities)	$	(9,102,501)	$	12,811	$	898

The following table details the Company's sensitivity as at September 30, 2015, with other variables unchanged, a 1% strengthening of the Chinese RMB, US dollar and HK dollar, against the Canadian dollar. For a 1% weakening against the Canadian dollar, there would be an equal and opposite impact on net comprehensive income (loss).

		Chinese RMB in CAD		US dollar in CAD		HK dollar in CAD
Net comprehensive income (loss)	$	(91,025)	$	128	$	9

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 fair value of cash and cash equivalents, restricted cash, amounts receivable, due from a related party, assets sale receivable, investment, accounts payable and accrued liabilities, short term loans and loans from shareholders is approximately equal to their carrying values. As at September 30, 2015 and December 31, 2014, the Company did not have financial instruments measured at fair value on a recurring basis.

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. Out of $8.4 million short term loans, $5.3 million loans bear fixed interest rates and $3.1 million loan bears a variable rate based on the prime rate issued by the People's Bank of China. For the nine months ended September 30, 2015, an increase (decrease) of the interest rate of 1% would have increased (decreased) net income before income taxes by approximately $1,200.

Liquidity Risk

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

As at September 30, 2015 and December 31, 2014, all of the Company liabilities are due within 12 months