

***FIRESWIRL TECHNOLOGIES INC.***

**Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended September 30, 2015 and  
2014**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONOSLIDATED FINANCIAL REPORT**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Professional Chartered Accountants for a review of interim financial statements by an entity's auditor.

## **FIRESWIRL TECHNOLOGIES INC.**

### **Condensed Interim Consolidated Statements of Financial Position (Unaudited - Expressed in Canadian Dollars)**

	Note	September 30, 2015	December 31, 2014
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 263,626	\$ 549,112
Restricted cash	4	577,022	586,622
Accounts receivable		786,218	550,277
Assets sale receivable	11	3,250,000	-
Taxes recoverable		381,191	346,961
Due from a related party	12	291,717	1,448,182
Deposits and prepayments		4,087,699	1,606,144
Inventory	5	5,966,523	4,850,404
<b>Total Current Assets</b>		<b>15,603,996</b>	<b>9,937,702</b>
Investment	6	150,000	-
Property and equipment		127,513	158,392
Trademark		19,176	19,176
Goodwill	7	306,926	306,926
<b>TOTAL ASSETS</b>		<b>\$ 16,207,611</b>	<b>\$ 10,422,196</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,353,008	\$ 1,518,928
Loans from shareholders	12	39,298	567,029
Short term loans	9	8,409,334	7,961,543
<b>Total Current Liabilities</b>		<b>10,801,640</b>	<b>10,047,500</b>
<b>TOTAL LIABILITIES</b>		<b>10,801,640</b>	<b>10,047,500</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	10	8,331,555	8,206,521
Share-based payments reserve - warrants	10	2,606,979	2,716,707
Share-based payments reserve - options	10	703,971	701,626
Contribution surplus		155,400	155,400
Accumulated other comprehensive Income		495,138	345,850
Accumulated deficit	1	(7,126,358)	(11,946,157)
<b>Total equity attributable to equity holders of the Company</b>		<b>5,166,685</b>	<b>179,947</b>
Non-controlling interest	8	239,286	194,749
<b>TOTAL EQUITY</b>		<b>5,405,970</b>	<b>374,696</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 16,207,611</b>	<b>\$ 10,422,196</b>

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

Nature and continuance of operations (Note 1)

Commitments (Note 15)

Subsequent events (Note 18)

On behalf of the Board of Directors

**"Lawrence Ng"**

Lawrence Ng  
Director

**"Ji Yoon"**

Ji Yoon  
Director

## FIRESWIRL TECHNOLOGIES INC.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>Operating revenue</b>					
Sales revenue	3	\$ 11,767,723	\$ 14,178,004	\$ 31,185,600	\$ 34,166,136
Service revenue	3	1,126,465	1,557,731	3,707,698	4,137,824
<b>Total operating revenue</b>		<b>12,894,188</b>	<b>15,735,735</b>	<b>34,893,298</b>	<b>38,303,960</b>
<b>Operating expenses</b>					
Purchases	5	10,011,196	13,852,784	26,816,643	32,923,412
Delivery charges		212,571	189,472	615,237	477,879
Technical service charges		1,683,275	667,187	4,174,577	1,713,682
Other related expense		2,583	35,188	64,110	137,257
Foreign Exchange (gain) loss		3,978	1,643	218,600	7,810
Depreciation and amortization		26,879	19,839	63,696	58,243
Sales and marketing		21,380	33,205	91,239	114,373
General administration		419,705	380,609	1,047,991	944,274
Salaries and benefits		653,881	860,413	2,659,361	2,627,134
Share-based compensation	10	1,100	-	17,651	-
<b>Total operating expenses</b>		<b>13,036,548</b>	<b>16,040,340</b>	<b>35,769,105</b>	<b>39,004,064</b>
Operating loss before below items		(142,360)	(304,605)	(875,807)	(700,104)
Gain on sale of e-Commerce platform	11	3,250,000	-	6,200,385	-
Interest and other income		2,380	3,176	6,790	10,285
Finance costs	9	(223,353)	(139,579)	(470,026)	(356,927)
<b>Income (loss) before income tax</b>		<b>2,886,667</b>	<b>(441,008)</b>	<b>4,861,341</b>	<b>(1,046,746)</b>
Income tax expenses		-	(2,693)	(7,159)	(14,196)
<b>Net income (loss) for the period</b>		<b>2,886,667</b>	<b>(443,701)</b>	<b>4,854,182</b>	<b>(1,060,942)</b>
Other comprehensive income (loss)					
Currency translation adjustment, net of tax of \$nil		16,368	157,759	159,442	58,658
<b>Net comprehensive income (loss)</b>		<b>\$ 2,903,035</b>	<b>\$ (285,942)</b>	<b>\$ 5,013,624</b>	<b>\$ (1,002,284)</b>
Net income (loss) attributable to:					
Shareholders of the Company		\$ 2,930,943	\$ (238,087)	\$ 4,819,799	\$ (833,059)
Non-controlling interest		(44,276)	(205,614)	34,383	(227,883)
		<b>\$ 2,886,667</b>	<b>\$ (443,701)</b>	<b>\$ 4,854,182</b>	<b>\$ (1,060,942)</b>
Comprehensive income (loss) attributable to:					
Shareholders of the Company		\$ 2,955,043	\$ (122,398)	\$ 4,969,087	\$ (784,831)
Non-controlling interest	8	(52,008)	(163,544)	44,537	(217,453)
		<b>\$ 2,903,035</b>	<b>\$ (285,942)</b>	<b>\$ 5,013,624</b>	<b>\$ (1,002,284)</b>
Income (loss) per share					
Basic and diluted		\$ 0.05	\$ (0.01)	\$ 0.09	\$ (0.02)
Weighted average number of common shares					
Basic and diluted		53,571,285	53,571,285	53,571,285	53,640,662

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

## FIRESWIRL TECHNOLOGIES INC.

### Condensed Interim Consolidated Statements of Changes in Equity (Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share capital	Share-based payments reserve - Warrants	Share-based payments reserve - Options	Contribution surplus	Other comprehensive income	Accumulated deficit	Total	Non- controlling interest	Total shareholders' equity
Balance at December 31, 2013	50,071,285	7,684,277	2,606,979	714,003	155,400	262,183	(10,493,221)	929,621	563,942	1,493,563
Net Income (loss) for the period	-	-	-	-	-	-	(270,827)	(270,827)	(9,816)	(280,643)
Issuance of shares	3,400,000	570,272	109,728	-	-	-	-	680,000	-	680,000
Share issuance costs	-	(70,405)	-	-	-	-	-	(70,405)	-	(70,405)
Foreign currency translation difference	-	-	-	-	-	2,295	-	2,295	(9,933)	(7,638)
Balance at March 31, 2014	53,471,285	8,184,144	2,716,707	714,003	155,400	264,478	(10,764,048)	1,270,684	544,193	1,814,877
Net Income (loss) for the period	-	-	-	-	-	-	(324,145)	(324,145)	(12,453)	(336,598)
Option exercised	100,000	18,377	-	(8,377)	-	-	-	10,000	-	10,000
Foreign currency translation difference	-	-	-	-	-	(69,757)	-	(69,757)	(21,706)	(91,463)
Balance at June 30, 2014	53,571,285	8,202,521	2,716,707	705,626	155,400	194,722	(11,088,193)	886,782	510,034	1,396,815
Net Income (loss) for the period	-	-	-	-	-	-	(238,087)	(238,087)	(205,614)	(443,702)
Option exercised	-	-	-	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	115,689	-	115,689	42,070	157,759
Balance at September 30, 2014	53,571,285	8,202,521	2,716,707	705,626	155,400	310,411	(11,326,281)	764,384	346,489	1,110,873
Net Income (loss) for the period	-	-	-	-	-	-	(619,876)	(619,876)	(165,230)	(785,106)
Options exercised	-	-	-	-	-	-	-	-	-	-
Options expired	-	4,000	-	(4,000)	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	35,439	-	35,439	13,490	48,929
Balance at December 31, 2014	53,571,285	8,206,521	2,716,707	701,626	155,400	345,850	(11,946,157)	179,947	194,750	374,697
Net Income (loss) for the period	-	-	-	-	-	-	2,261,404	2,261,404	146,379	2,407,783
Warrants expired	-	109,728	(109,728)	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	151,312	-	151,312	16,320	167,632
Balance at March 31, 2015	53,571,285	8,316,249	2,606,979	701,626	155,400	497,162	(9,684,753)	2,592,663	357,449	2,950,112
Net Income (loss) for the period	-	-	-	-	-	-	(372,548)	(372,548)	(67,720)	(440,268)
Compensation expense related to Stock Options	-	-	-	16,551	-	-	-	16,551	-	16,551
Option expired	-	15,306	-	(15,306)	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	(26,124)	-	(26,124)	1,566	(24,558)
Balance at June 30, 2015	53,571,285	8,331,555	2,606,979	702,871	155,400	471,038	(10,057,301)	2,210,542	291,294	2,501,836
Net Income (loss) for the period	-	-	-	-	-	-	2,930,943	2,930,943	(44,276)	2,886,667
Compensation expense related to Stock Options	-	-	-	1,100	-	-	-	1,100	-	1,100
Foreign currency translation difference	-	-	-	-	-	24,101	-	24,101	(7,733)	16,368
Balance at September 30, 2015	53,571,285	8,331,555	2,606,979	703,971	155,400	495,138	(7,126,358)	5,166,685	239,286	5,405,971

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

## FIRESWIRL TECHNOLOGIES INC.

### Condensed Interim Consolidated Statements of Cash Flows (Unaudited - Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
<b>OPERATING ACTIVITIES</b>				
Income (loss) for the period	\$ 2,886,667	\$ (443,701)	\$ 4,854,182	\$ (1,060,942)
Income tax expenses	-	2,693	7,159	14,196
Income (loss) before income tax	2,886,667	(441,008)	4,861,341	(1,046,746)
Add (deduct) items not affecting cash:				
Depreciation and amortization	26,879	19,839	63,696	58,243
Share-based compensation	1,100	-	17,651	-
Gain on sale of e-Commerce platform	(3,250,000)	-	(6,200,385)	-
Interest and other income	(2,380)	(3,176)	(6,790)	(10,285)
Finance costs	223,353	139,579	470,026	356,927
Changes in non-cash working capital items:				
Accounts receivable	124,572	(166,297)	(186,479)	451,645
Taxes recoverable	(272,517)	(162,742)	5,134	(108,115)
Due from a related party	2,703,732	-	1,294,655	-
Deposits and prepayments	(2,079,709)	1,533,356	(2,223,808)	(1,488,204)
Inventory	(2,597,984)	(626,145)	(462,237)	(323,069)
Accounts payable and accrued liabilities	1,061,252	(72,180)	565,199	(251,158)
Interest received	(1,175,035)	221,226	(1,801,997)	(2,360,762)
Interest paid	2,561	3,176	6,790	10,285
Income taxes paid	(128,510)	(156,943)	(375,184)	(376,120)
Income taxes paid	0	(9,503)	(7,159)	(21,550)
<b>Net cash provide by (used in) operating actives</b>	<b>(1,300,983)</b>	<b>57,956</b>	<b>(2,177,550)</b>	<b>(2,748,147)</b>
<b>INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	-	(23,481)	(32,069)	(54,551)
Investment	(150,000)	-	(150,000)	-
Proceeds from sales of e-Commerce platform	-	-	2,975,000	-
Increase in Leasehold improvement	-	(18,847)	(6,951)	(18,847)
<b>Net cash from (used in) investing activities</b>	<b>(150,000)</b>	<b>(42,328)</b>	<b>2,785,980</b>	<b>(73,398)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from short term loans	8,572,563	7,768,639	8,602,303	23,732,673
Repayment of short term loans	(7,749,975)	(7,608,551)	(9,062,361)	(22,589,773)
Change in restricted cash	(145,519)	(171,970)	80,625	265,793
Advance from (repayment to) related parties	(6,811)	(21,671)	(536,254)	824,131
Shares issued for cash	-	-	-	609,595
Shares issued for warrants/options exercised	-	-	-	10,000
<b>Net cash provided by (used in) investing activities</b>	<b>670,257</b>	<b>(33,553)</b>	<b>(915,687)</b>	<b>2,852,419</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>11,099</b>	<b>38,217</b>	<b>21,770</b>	<b>(7,850)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(769,628)</b>	<b>20,292</b>	<b>(285,486)</b>	<b>23,024</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,033,254</b>	<b>367,721</b>	<b>549,112</b>	<b>364,988</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 263,626</b>	<b>\$ 388,012</b>	<b>\$ 263,626</b>	<b>\$ 388,012</b>

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

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial**  
**Statements**  
**For the periods ended September 30, 2015 and 2014**

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**Note 1- Nature and Continuance of Operations**

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

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

Several adverse conditions cast doubt on the validity of this assumption. The Company reported a net income attributable to common shares of \$4,819,799 for the nine months ended September 30, 2015 compared to a net loss attributable to common shares of \$833,059 for the same period of 2014, and has been experiencing negative operating cash flows which were primarily funded by private placement proceeds, sale of assets and borrowing of short term loans. There is uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future.

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

In the event that cash flow from operations, if any, together with the proceeds of any future financings, are insufficient to meet the Company's current operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company's best interest. These factors raise significant doubt about the Company's ability to continue as a going concern.

As at September 30, 2015 and December 31, 2014, the Company reported the following:

	September 30, 2015	December 31, 2014
Deficit	\$ (7,126,358)	\$ (11,946,157)
Working Capital (deficit)	4,802,355	(109,798)

Operating results for the three months and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

**FIRESWIRL TECHNOLOGIES INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial**  
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**Note 2 - Basis of Presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) of the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These condensed interim consolidated financial statements follow the same significant accounting policies set out in note 2 to the Company’s annual financial statements for the year ended December 31, 2014. Accordingly, they should be read in conjunction with the recent annual financial statements

The Board of Directors authorized these condensed interim consolidated financial statements for issue on November 23, 2015.

**Note 3 – Revenue**

The Company generated revenue from merchandise resale and service and maintenance fees during the nine months ended September 30, 2015 and 2014.

During the nine months ended September 30, 2015, the Company recognized \$31,185,600 of revenue from the merchandise sales in China (same period 2014 - \$34,166,136). Substantial of all merchandise sales was generated by Beijing Xingchang Xinda Technology Development Co., Ltd. (“XCXD”), a subsidiary in China.

The Company recorded \$3,707,698 (same period 2014 - \$4,137,824) of revenue from service and maintenance fees during the nine months ended September 30, 2015. Within this amount, \$3,354,906 (same period 2014 - \$3,598,559) was generated by XCXD. This revenue is mainly generated from e-commerce platform development and maintenance services.

**Note 4 – Restricted Cash**

The Company’s subsidiary Beijing Xingchang Xinda Technology Development Co., Ltd (“XCXD”) is required to maintain a deposit of RMB2,742,502 (equivalent to \$577,022 as of September 30, 2015 and RMB3,138,694 equivalent to \$586,622 as of December 31, 2014) with its financial institution for its short term loan account. The restricted cash is redeemable when the loan is paid off (Note 9).

**Note 5 – Inventory**

For the nine months ended September 30, 2015, inventory recognized as an expense in purchases amounted to \$26,816,643 (same period 2014 - \$32,923,412). There was \$Nil (same period 2014 - \$Nil) write down of inventory included in the above amounts. As of September 30, 2015, the Company anticipates the net inventory will be realized within one year.

**Note 6 – Investment in Empower Environmental Solutions Ltd.**

In August 2015, the Company subscribed 1,000,000 common shares of Empower Environmental Solutions Ltd. (“EMP”), an unrelated entity, at a price of \$0.15 per share for total \$150,000, representing approximately 4% 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 Company has classified its investment in EMP as available for sale.



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**Note 7 – Goodwill**

Goodwill in the amount of \$306,926 arose as a result of the acquisition of XCXD on October 1, 2009. The Company tests goodwill annually for impairment or more frequently if there are indicators of impairment. The last goodwill impairment test was completed as at December 31, 2014. Since that date, the Company has not identified an indicator of impairment.

**Note 8 – Non-controlling Interest**

The non-controlling interest represents 50% interest in XCXD. The continuity of non-controlling interest is summarized below:

Balance – December 31, 2013	\$ 563,942
Net loss attributable to non-controlling interest	(393,113)
Other comprehensive income (loss) attributable to non-controlling interest	23,920
Balance – December 31, 2014	\$ 194,749
Net income attributable to non-controlling interest	34,383
Other comprehensive income attributable to non-controlling interest	10,153
Balance – September 30, 2015	\$ 239,286

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

	September 30, 2015	December 31, 2014
Current assets	10,575,072	9,820,562
Non-current assets	1,078,380	134,076
Current liabilities	10,056,430	9,942,390
Revenue	34,526,933	51,312,753
Profit (loss)	68,767	(786,227)
Total comprehensive income (loss)	89,074	(738,386)

**Note 9 - Short Term Loans**

	September 30, 2015	December 31, 2014
a) Standard Chartered Bank	3,102,508	\$ 2,773,710
b) Beijing Branch of Citibank (China)	2,999,517	2,721,152
c) ALIPAY	1,465,709	1,094,681
d) Bank of Communications	841,600	747,600
e) Fung Holdings (1937)	-	400,000
f) Galactic Power Limited	-	224,400
	\$ 8,409,334	\$ 7,961,543

a) On May 27, 2009, RMB5,000,000 (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 September 2010. On

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September 22, 2010, the agreement had been renewed and extended the loan limit to RMB10,000,000 (equivalent to \$1,539,000 as of December 31, 2010) with 90 day revolving credit and carried variable interest rate at prime plus 1.25% per annum. On May 31, 2012, the loan limit has been extended to RMB14,000,000. On June 20, 2013, the interest rate is adjusted to prime plus 2% per annum. The loan is secured by apartments owned by XCXD's management and XCXD's restricted cash of RMB2,000,000 (equivalent to \$402,400). The outstanding loan balance is RMB14,745,761 (equivalent to \$3,102,508) as at September 30, 2015 (December 31, 2014 – RMB14,840,610, equivalent to \$2,773,710).

b) On November 8, 2012, the Beijing Branch of Citibank (China) Company Limited has agreed to a short term financing revolving credit every four months with a limit of RMB12,000,000 and has been extended to RMB16,000,000 during October, 2013. The revolving credit bears an interest rate at an average approximately 7.5% per annum. The drawdown started during January 2013 and the outstanding loan balance is RMB14,256,260 (equivalent to \$2,999,517) as at September 30, 2015 (December 31, 2014 – RMB14,559,400 equivalent to \$2,721,151). The loan is secured by apartments owned by XCXD management.

c) As at September 30, 2015, ALIPAY loan balance is RMB6,966,299 (equivalent to \$1,465,709) was received from ALIPAY (December 31, 2014 – RMB5,857,040 equivalent to \$1,094,681). The loan is on a day to day basis and bears fixed interest of 0.06% per day and a repayment term within six months.

d) On August 8, 2014, RMB4,000,000 (equivalent to \$747,600 as of December 31, 2014) was received from Bank of Communications through an intermediary. An assessment and guarantee fee of RMB140,000 (equivalent to \$24,864) was paid to the intermediary. The loan has a term of 12 months and with interest rate at 7.2% per annum. In August 2015, this loan was paid in full. In September 2015, the Company received another loan in the amount of RMB 4,000,000. The loan has a term of one year. The outstanding loan principal balance is RMB4,000,000 (equivalent to \$841,600) as at September 30, 2015.

e) On October 30, 2014, CAD400,000 bridging loan was received from Fung Holdings (1937) Limited (“Fung”) in Hong Kong. This loan is interest free and has been fully repaid by offsetting with the proceeds received from Fung in connection with the e-Commerce platform disposition on March 25, 2015 (see Note 11).

f) On December 16, 2014, HKD1,500,000 (equivalent to \$224,400 as of December 31, 2014) was received from Galactic Power Limited in Hong Kong. The loan has a term of 3 months with an interest rate of 1% per month and interest is to be paid in arrears quarterly. There is a handling fee of HKD15,000. This loan has been fully repaid with interest on March 31, 2015.

During the nine months ended September 30, 2015, the Company recorded total interest expense on short term loans of \$470,026 (same period in 2014 - \$356,927). The weighted average interest rate for the nine months ended September 30, 2015 is approximately 7.63%.

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**Note 10 - Share Capital**

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

**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. The following is a summary of option transactions:

	Number of options	Weighted average exercise price (\$)
Balance, January 1, 2014	1,550,000	0.14
Exercised	(100,000)	0.10
Expired	(100,000)	0.05
Balance, December 31, 2014	1,350,000	0.15
Granted	550,000	0.10
Forfeited	(75,000)	0.12
Expired	(120,000)	0.15
Balance, September 30, 2015	1,705,000	0.14

On April 3, 2015, the Company granted 250,000 new options at an exercise price of \$0.12 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 \$0.06.

On June 10, 2015, the Company granted 300,000 new options at an exercise price of \$0.09 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.

The fair value of the stock options granted on April 3, 2015 has been calculated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

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	April 3, 2015 Grant	June 10, 2015 Grant
Risk free interest rate	0.80%	0.95%
Expected life of options in years	1 year	1 year
Expected volatility	142%	128%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%
Weighted average share price at date grant	\$0.12	\$0.09
Fair value	\$0.06	\$0.04

Volatility was determined based on the historical volatility of the Company's shares over the estimated life of stock options. For the three and nine months ended September 30, 2015, share-based compensation in the amount of \$1,100 and 19,846 (same period in 2014 - Nil) were recognized and included in the general administration expenses in the condensed interim consolidated statements of loss.

The following table summarizes information about stock options outstanding at September 30, 2015:

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number of options	Weighted average remaining life (Years)	Number of options	Weighted average remaining life (Years)
0.09	300,000	4.63	150,000	4.61
0.12	175,000	4.51	125,000	4.51
0.15	1,230,000	1.14	1,230,000	1.14
	1,705,000	2.10	1,505,000	1.77

### **Warrants**

The following is a summary of warrant transactions:

	Number of warrants	Weighted average exercise price (\$)
Balance, January 1, 2014	-	-
Issued	1,700,000	0.25
Balance, December 31, 2014	1,700,000	0.25
Expired	(1,700,000)	-
Balance, September 30, 2015	-	-

Pursuant to the term of the private placement that took place on January 6, 2014, the Company issued 1,700,000 share purchase warrants with an exercise price of \$0.25 exercisable for a period of one year from the date of issue. 1,700,000 warrants expired on January 6, 2015.

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**Note 11 – Sale of Assets**

On March 25, 2015 the Company completed the sale of its Shenzhen e-commerce platform to Fung, which includes: (i) 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 proceeds received (Note 9).

**Note 12 - Related Party Transactions**

The Company’s related parties include corporate entities over which it exercises significant influence, and key management personnel. Related party transactions not disclosed elsewhere in these financial statements are listed below:

a) Due from a Related Company

XCXD and a related company, Yantan 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 non-controlling 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 from this related company (December 31, 2014 - \$1,448,182). XCXD had not generated any revenue in connection with this arrangement.

b) Due to Related Parties

	September 30, December 31,	
	2015	2014
Accounts payable	\$ 21,262	\$ 52,231
Due to the Company's shareholders	-	532,247
Due to a shareholder of XCXD	39,298	34,782
	\$ 60,560	\$ 619,260

Due to related parties are unsecured, non-interest bearing and have no specific repayment date.

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c) Key Management Compensation:

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three and nine months ended September 30, 2015 and 2014 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Salaries and fees				
- Salaries and severance	\$ 22,500	\$ 60,900	\$ 231,228	\$ 182,700
- Consulting fees	44,863	-	87,763	-
- Director fees	4,000	4,000	42,000	12,000
	\$ 71,363	\$ 64,900	\$ 360,991	\$ 194,700
Share-based payments	1,100	-	14,605	-
Total	\$ 72,463	\$ 64,900	\$ 375,596	\$ 194,700

During the nine months ended September 30, 2015, the Company paid \$231,228 (same period in 2014 - \$182,700) in salaries to its management which include a special bonus of \$125,000 regarding the sale of assets. The Company also 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 assets (Note 11).

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 13 - Segmented Information**

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

Substantial of all the Company's revenue are generated in China. No customer accounted for greater than 10% of the Company's sales during the nine months ended September 30, 2015 and 2014. Casio (Shanghai) Trading Company Limited is the Company major supplier for the nine months ended September 30, 2015 and 2014.

As at September 30, 2015, the Company's long-term assets are located in Canada and China as follows:

	China	Canada	Total
Property and equipment	\$ 124,513	\$ 3,001	\$ 127,514
Goodwill	306,926	-	306,926
Trademark	19,176	-	19,176
Total	\$ 450,615	\$ 3,001	\$ 453,616

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**Note 14 - 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. 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.

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

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

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

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

The Company's financial instruments include cash and equivalents, amounts receivable, due from a related party, assets sale receivable, investment, accounts payable and accrued liabilities, short term loans, and loans from shareholders.

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.



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**Note 15 - Commitments**

The Company has entered various operating leases for its office premises. The lease terms are between one year and five years. The future aggregate minimum lease payments under non-cancellable operation leases are as follows:

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

Pursuant to the applicable laws in PRC, PRC entities are required to make appropriations to statutory reserve funds based on after-tax net earnings as determined in accordance with PRC GAAP. Appropriation to the statutory reserve funds should be at least 10% of the after-tax net earnings until the reserve is equal to 50% of the entity's registered capital. During the nine months ended September 30, 2015, the Company allocated \$Nil from after-tax net earnings to XCXD's statutory reserve funds. As at September 30, 2015 and December 31, 2014, the Company's subsidiary XCXD had statutory reserve funds of \$128,384.

**Note 16 - Capital Management**

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

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.

**Note 17 – Comparative Figures**

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

**Note 18 – Subsequent Event**

In October 2015, the Company received the remaining proceed in the amount of \$3,250,000 in connection with the sales of its Shenzhen e-commerce platform (Note 11).