Fireswirl Technologies Inc.

Management Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2016

April 25, 2017

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with Fireswirl Technologies Inc.'s ("Fireswirl" or the "Company") audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016. These consolidated financial statements 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 activities, performances, 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", "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 changes, 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 the 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 the forward looking statements contained in this MD&A.

OVERVIEW

Fireswirl Technologies Inc. (TSX Venture: FSW), “the Company”, 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 publicly listed company through a reverse takeover and a $3.2 million equity financing accompanying its qualifying transaction.

Fireswirl, together with its subsidiaries, 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.

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

In 2015, the Company completed the sale of its Shenzhen e-commerce platform for $6,225,000 net of working capital adjustment. The Shenzhen e-commerce platform included: (i) equipment with carrying value of $24,615; and (ii) goodwill, intellectual property, and customer lists and contracts with carrying value of $nil. In conjunction with this transaction, the Company’s then chief executive officer, Mr. Tony Lau (“Mr. Lau”) was required to resign and join the purchaser as an employee.

On February 29, 2016, the Company entered into a purchase and sale agreement, pursuant to which the Company agreed to sell its controlling interest in XCXD to the non-controlling shareholders of XCXD in consideration for an aggregate of 6,058,673 common shares of the Company held by its non-controlling shareholders (the “Purchasers”) and cash in the amount of RMB5,000,000 (equivalent to $965,009) in exchange for a full settlement of XCXD’s outstanding indebtedness to the Company and its subsidiaries. An amendment to the purchase and sale agreement was signed on April 5, 2016 and subsequently amended on December 31, 2016 to extend the closing date of sale of all of XCXD’s equity interest held by the Company to April 30, 2017. It is likely that closing date will be further extended but no amendment has been signed. As at December 31, 2016, the Company has received RMB1,300,000 (equivalent to $250,902) and the balance of RMB2,200,000 (equivalent to $424,604) was received subsequent to the year ended December 31, 2016. However, there is a significant uncertainty for the collection of the remaining RMB1,500,000 (equivalent to $269,503) and therefore the uncollectible amount of $269,503 has been included in impairment loss recognized on re-measurement to fair value less costs to sell. The assets and liabilities of XCXD have been classified as held for sale as at December 31, 2016. The operation results of XCXD have been presented as a discontinued operation for the year ended December 31, 2016.

The sale of XCXD is consistent with the Company’s strategic plan for its future development. XCXD has not generated significant operating profit since it was acquired in October 2009. Management has decided to divert its focus from XCXD and is working on identifying and developing other suitable business for the Company.

SUBSEQUENT EVENT

On February 3, 2017, the Company entered into a share purchase agreement, pursuant to which the Company has agreed to purchase an aggregate of 60% equity interest in AMZON (HK) Limited (“AMZON”) for a total of HK$7.2 million (approximately $1.2 million) in three payment dates. The closing date is each of the first, second and third payment date. On March 24, 2017, the Company completed the first payment in the amount of HK$4.8 million (approximately $800,000) and acquired 40% of the equity interest in AMZON (the “First Payment Date”). On April 20, 2017, the Company completed the 2nd

payment in the amount of HK$1.2 million (approximately $200,000) and acquire additional 10% of the equity interest in AMZON (the "Second Payment Date"). Under the same agreement, the Company is expected to purchase a final 10% of the equity interest in AMZON for HK$1.2 million (approximately $200,000) no later than 30 days after the Second Payment Date (the "Third Payment Date"). AMZON is a private company incorporated pursuant to the laws of Hong Kong Special Administrative Region of China and is in the business of providing multimedia and interactive marketing solutions, specializing in three dimensional visualizations, computer graphics and digital design.

The Company is in the process of performing the valuation of the assets acquired and liabilities assumed in connection with the AMZON acquisition.

FOURTH QUARTER HIGHLIGHTS

- For the three months ended December 31, 2016 ("Q4 2016"), total operating revenue from continuing operations was $16,108 compared to $86,397 for the same period in 2015 ("Q4 2015").

  Net loss from continuing operations was $155,426 in Q4 2016 compared to a net loss of $431,808 for the same period in 2015. The Company reduced general administration expenses during the year ended December 31, 2016.

- The Company had a total loss attributable to shareholders of the Company of $224,206 compared to a net loss of $549,527 for the same period in 2015. The decrease is resulted from the decrease of general administration expenses during the year ended December 31, 2016.

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. XCXD's operating results have been represented as a discontinued operation in prior quarters.

	2016 Q4 $	2016 Q3 $	2016 Q2 $	2016 Q1 $	2015 Q4 Re-presented $	2015 Q3 Re-presented $	2015 Q2 Re-presented $	2015 Q1 Re-presented $
Total operating revenue	16,108	16,043	15,107	70,271	86,397	19,005	30,246	269,683
Net (loss) income from continuing operations	(155,426)	(318,662)	(468,885)	(389,105)	(431,808)	2,924,106	(288,088)	2,147,073
Discontinued operations, net of tax	1,664,424	22,775	(699,703)	(489,350)	(235,435)	(88,551)	(135,441)	292,759
Net income (loss) for the period	1,508,998	(295,887)	(1,168,588)	(878,455)	(667,243)	2,835,555	(423,529)	2,439,832
Net (loss) income from continuing operations attributable to:								
Shareholders of the Company	(155,426)	(318,662)	(468,885)	(389,105)	(431,808)	2,924,106	(288,088)	2,147,073
Net (loss) income attribute to:								
Shareholders of the Company	(224,206)	(307,275)	(683,936)	(768,580)	(549,527)	2,879,832	(355,809)	2,293,453
Basic and diluted per share of								
Net (loss) incomefrom continuing operations	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	0.05	(0.01)	0.04
Net (loss) income from the period	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	0.05	(0.01)	0.04
Weighted number of shares outstanding	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285	53,571,285

QUARTERLY RESULTS

The sale of XCXD represents a discontinued operation. Therefore, the operating results of XCXD have been presented as discontinued operations in Q4 2016 and for the year ended December 31, 2016 and the comparative results have been re-presented.

Revenue

The Company reported total operating revenue of $16,108 in Q4 2016 and $117,529 for the year ended December 31, 2016 compared to $86,397 and $405,331 for the same periods in 2015. The decrease of operating revenue for the year ended December 31, 2016 was due to the completion of an e-commerce platform service contract which ended in January 2016.

Cost of sales

Cost of sales is presented as change in inventory, delivery charges and technical service charges and other related expenses under operating expenses according to their nature.

The cost of sale incurred in relation to these sales was $15,501 in Q4 2016 and $73,789 for the year ended December 31, 2016 compared to $46,603 and $85,525 for the same periods in 2015. The increase or decrease of cost of sales was consistent with the increase or decrease of operating revenue.

Operating Expenses

Total operating expenses decreased to $198,602 in Q4 2016 and $1,391,236 for the year ended December 31, 2016 compared to $481,934 and $1,958,154 for the same periods in 2015. Operating expenses consisted of general administration expenses, and sales and market expenses which are explained below.

General Administration

General administrative expenses decreased to $158,593 in Q4 2016 and to $1,215,126 for the year ended December 31, 2016 compared to $448,594 and $1,870,916 for the same periods in 2015, representing a decrease of 65% and 35%, respectively.

The decrease in general administration expenses in Q4 2016 was primarily due to a decrease of professional fees relating to the sale of XCXD; the Company incurred certain amount of professional fees in Q4 2015 relating to the preparation for the sale of XCXD.

The decrease of overall general administration expenses in 2016 was attributable to the sales of Shenzhen e-Commerce platform which was completed in 2015. In 2015, the Company paid severance fees of $223,708 and special bonuses of $130,000 to employees in connection with the sale of the Shenzhen e-Commerce platform.

Sales and Marketing

Sales and marketing expenses increased to $40,009 in Q4 2016 and $176,110 for the year ended December 31, 2016 compared to $33,340 and $87,238 for the same periods in 2015. This increase was a result of activities relating to the developing and exploring of new business for the Company.

Gain on Sale of e-Commerce Platform

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

The total proceeds after working capital adjustment were $6,225,000 resulting in a gain on sale of e-commerce platform of $6,199,967. In connection with the completion of the sale, the Company repaid the principal amount of the $400,000 interest-free loan provided by the vendor on October 24, 2014, by way of set-off against the proceeds received.

Foreign Exchange gain or loss

The Company had a foreign exchange gain of $39,678 in Q4 2016 and a loss of $1,981 for the year ended December 31, 2016 compared to a loss of $1,394 and $219,994 for the same periods in 2015. The foreign exchange loss for the year ended December 31, 2015 was mainly from the repayment of shareholder loan in its original currency. The Company did not utilize any hedges or forward contracts.

Net Income (Loss) from Continuing Operations

The Company reported a net loss from continuing operations of $155,426 in Q4 2016 and $1,332,078 for the year ended December 31, 2016 compared to a net loss of $431,808 and a net income of $4,351,283 for the same periods in 2015. The net income for the year ended December 31, 2015 was mainly a result of the gain from the disposition of the Shenzhen e-commerce platform as discussed above. All of the Company's continuing operations income /loss were attributable to the shareholders the Company.

Basic and diluted loss per share from continuing operations was $0.00 in Q4 2016 and $0.02 for the year ended December 31, 2016 compared to basic and diluted loss per share of for continuing operations of $0.01 and earnings per share of $0.08 for the same periods in 2015.

Net Income (Loss) from discontinued Operations

The Company reported a net income from discontinued operations (net of tax) of $1,664,424 in Q4 2016 and $498,146 for the year ended December 31, 2016 compared to a net loss (net of tax) of $235,435 and $166,668 for the same periods in 2015.

The net loss from discontinued operations (net of tax) attributable to the shareholders of the Company was $68,780 in Q4 2016 and $651,919 for the year ended December 31, 2016 compared to $117,719 and $83,334 for the same periods in 2015.

Basic and diluted loss per share from discontinued operations was $0.00 in Q4 2016 and $0.01 for the year ended December 31, 2016 compared to $0.00 and $0.00 for the same periods in 2015.

Net Income (Loss)

The Company reported a net income of $1,508,998 in Q4 2016 and a net loss of $833,932 for the year ended December 31, 2016 compared to a net loss of $667,243 and a net income of $4,184,615 for the same periods in 2015.

Basic and diluted loss per share was $0.00 in Q4 2016 and $0.04 for the year ended December 31, 2016 compared to basic and diluted loss per share of $0.01 and earnings per share of $0.08 for the same periods in 2015.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated financial information for the years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014
		Re-presented	Re-presented
	$	$	$
Total revenues	117,529	405,331	554,331
(Loss) income before income tax from continuing operations	(1,332,078)	4,352,975	(1,113,640)
Income tax expense	-	(1,692)	(3,295)
Net income (loss) for the year from continuing operations	(1,332,078)	4,351,283	(1,116,935)
Discontinued operations, net of tax	498,146	(166,668)	(729,114)
Net (loss) income for the year	(833,932)	4,184,615	(1,846,049)
Net (loss) income from continuing operations attributable to Common shareholders of the Company	(1,332,078)	4,351,283	(1,116,935)
Net (loss) income attributable to Common shareholders of the Company	(1,983,997)	4,267,949	(1,452,936)
Basic/diluted per share:			
- net (loss) income from continuing operations attributable to shareholders of the Company	(0.02)	0.08	(0.02)
- net (loss) income per share attributable to shareholders of the Company	(0.04)	0.08	(0.03)
Total assets	17,226,970	16,809,420	10,422,196
Total long-term liabilities	-	-	-

The Company's operations are not impacted by seasonality considerations.

CASH FLOW STATEMENTS

Operating Activities

Cash used in operating activities from continuing operations was $239,946 in Q4 2016 and $1,103,567 for the year ended December 31, 2016, compared to $201,254 and $2,005,038 for the same periods in 2015, representing an increase in outflow of 19% and a decrease in outflow of 45%, respectively. The decrease of cash outflows from operating activities is mainly a result of a decrease in operating loss.

Investing Activities

Cash outflow in investing activities from continuing operations was $2,055 in Q4 2016 and $2,055 for the year ended December 31, 2016 compared to cash inflow of $3,240,446 and $6,065,446 for the same periods in 2015. The cash inflow in 2015 was due to the proceeds received from the disposition of the Shenzhen e-commerce platform net of $150,000 investment in Empower Environmental Solutions Ltd. ("EMP"). EMP is a private entity based in Canada and is in a recycling business focusing on reusing and recycling of asphalt shingles in North America.

Financing Activities

Cash used in financing activities from continuing operations was $29,834 in Q4 2016 and $29,834 for the year ended December 31, 2016 compared to $21,882 and $1,175,092 for the same periods in 2015. The cash outflow in 2015 was mainly due to repayment of shareholder loans and short-term loans.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had total debt of $525,109 (excluding the liabilities associated with the assets held for sale of $13,036,065). The Company had $1,785,867 in cash and cash equivalents, and working capital (defined as current assets less current liabilities, excluding asses and liabilities associated with assets held for sale) of $1,626,200. The recent dramatic 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 the "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 within terms expected.

The Company does not have commitments for capital expenditures as of December 31, 2016. The Company's capital resources consist of common share, contributed surplus, accumulated other comprehensive income and accumulated deficit.

CONTRACTUAL OBLIGATIONS

As at December 31, 2016, the Company's future minimum annual payments under operating leases are as follows:

2017	$ 15,703
2018	1,790
Total	$ 17,493

RELATED PARTY TRANSACTIONS

a) Due to Related Parties

	December 31, 2016	December 31, 2015
Due to the Company's shareholders (i)	$ -	$ 29,977
Due to Yatan Technology Development Ltd. ("Yatan") (ii)	-	110,834
	-	140,811
Amounts due to directorsincluded in accounts payable (iii)	24,791	35,244
Total	$ 24,791	$ 176,055

(i) Due to the Company's shareholders are unsecured, non-interest bearing and have no specific repayment date.

(ii) Yatan's senior management is one of the shareholders of XCXD. The balance is non-interest bearing and have no specific repayment date.

(iii) Due to directors are unsecured, non-interest bearing and have no specific repayment date.

b) 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 in Q4 2016 and Q4 2015, and for the years ended December 31, 2016 and 2015 are as follows:

		For the year ended December 31,		
		2016		2015
Salaries and fees				
- Salaries and consulting fees	$	470,431	$	413,657
- Director fees		32,000		76,000
		502,431		489,657
Share-based compensation		40,293		15,031
Total	$	542,724	$	504,688

These transactions were in the normal course of operations and are measured and recorded at the exchange amount, which is the amount of consideration established and agreed to by the relevant parties.

CHANGES IN ACCOUNTING POLICIES

The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these consolidated financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as at December 31, 2016, and have not been applied in preparing the Company's condensed interim consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that effect the financial statements. The Company has not adopted these new and amended standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

a) IFRS 9 Financial Instruments ("IFRS 9")

On July 24, 2014 the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flows of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7, *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on the measurement of financial liabilities and de-recognition of financial instruments. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

b) IFRS 15 Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The effective date is for reporting periods beginning on or after January 1, 2018 with early application permitted.

c) IFRS 16, Leases ("IFRS 16")

On January 13, 2016, the IASB published a new standard, IFRS 16, *Leases*, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

OFF BALANCE SHEET ARRANGEMENT

As at December 31, 2016 and the date of this report the Company has not entered into any off balance sheet arrangements.

FINANCIAL INSTRUMENTS

a) 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 other than quoted prices included in Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Prices or valuation techniques which 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 assets include (i) cash and cash equivalents, restricted cash and trade receivables which are classified as loans and receivable and (ii) investment which is classified as available for sale. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties, and short term loans which are all classified as financial liabilities at amortized cost.

The fair values of cash and cash equivalents, restricted cash, trade receivables, accounts payable and accrued liabilities, short term loans and due to related parties approximate their carrying values due to the short-term nature of these instruments. The interest rates applied to short term loans are not considered to be materially different from market rates, thus the carrying value of the short term loans approximates fair value. EMP is a private entity. The fair value of the investment in EMP is measured based on observing the equity financing completed by EMP during the year ended December 31, 2016 which is $0.20 per unit, comprising one common share and one-half of a warrant (level 2 in the fair value hierarchy). As at December 31, 2016 and 2015, the Company did not have financial liabilities measured at fair value on a recurring basis.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalent, restricted cash, trade receivable and due from a related party.

The Company limits its exposure to credit risk on cash and cash equivalents and restricted cash by depositing only with reputable financial institutions. Credit risk is primarily associated with trade receivables as the Company grants credit to its customers in the normal course of business. Credit risk on trade receivables is minimized by performing credit reviews, ongoing credit evaluation and account monitoring procedures. All trade receivables have been reviewed for indicators of impairment and these consolidated financial statements take into account an allowance for bad debts. Maximum credit risk related to trade receivables amounted to $10,231 at December 31, 2016 (December 31, 2015 - $3,170,068).

There were no overdue trade receivables outstanding as at December 31, 2016 and collection is reasonably assured. As at December 31, 2015, there are three customers' receivable balance exceeding 10% of the total trade receivable balance representing 55% of the total trade receivable balance.

c) 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 is exposed to foreign exchange rage when the Company undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Company currently does not use derivative instruments to hedge its exposure to those risks. As at December 31, 2016, the Company is subject to immaterial currency risk as it did not have material assets or liabilities held in currencies other than its functional currencies.

d) Interest risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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. As at December 31, 2016, except for XCXD which has been presented as assets held for sale, the Company did not have short-term loans. All of the XCXD's short-term loans bear a fixed interest rate except for the loans from Standard Chartered Bank in the amount of $2,475,735 and from Development Bank of Singapore in the amount of $868,508 both of which bear a variable rate plus 2% per annum. For the year ended December 31, 2016, an increase (decrease) of the prime rate by 1% would have decreased (increased) net income before income taxes by approximately $30,875.

e) 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.

As at December 31, 2016, the Company had total debt in the amount of $525,109 (excluding the assets held for sale and the liabilities associated with the assets held for sale) due within 12 months (December 31, 2015 - $12,096,576) and working capital of $1,626,200.

OUTSTANDING SHARE CAPITAL

As at the date of this report, the Company had 53,571,285 common shares, 2,800,000 stock options outstanding, and 1,550,000 stock options exercisable as at December 31, 2016. If all of the Company's exercisable options were exercised, the Company would have 55,121,285 common shares outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three months ended December 31, 2016 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

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:

Execution of the Business Plan

Although management of the Company has developed a business plan, there can be no assurance that the business plan will succeed in whole or in part. The Company continues to plan to undertake the expansion of its business by way of acquisitions. There can be no assurance that the Company will be able to complete the planned expansion within the expected timeframe or for the estimated costs set out in the Feasibility Study.

Future Capital Requirements

The development of the business of the Company will require substantial additional financing. The Company's future capital requirements will depend upon many factors, including maintenance, plant and product expansion, and expansion of its sales and marketing efforts. Failure to obtain sufficient financing may result in delaying, scaling back, elimination, or indefinite postponement of future programs. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Lending may be obtained from Chinese banks, government organizations, major shareholders or other debt markets; however, there can be no assurance that such loans will be obtained. In addition, there can be no assurance that the Company's business will generate sufficient cash flow from operations in the future to make necessary capital expenditures, in which case the Company may seek additional financing.

Competition

The Company expects to encounter competition from other entities having a business objective similar to its own. Many of these entities are well established and have extensive experience in connection with identifying and affecting business acquisitions directly or through affiliates. Competitors may introduce technological innovation in the Company's business, resulting in increased competitive pressures. Although the Company's projections assume that the industry will generate competition, there can be no assurances on how any level of competition may impact the future revenues of the Company. China can be a fiercely competitive market and any small price differentials between otherwise competitive goods and services can make an enormous difference to the consumer.

Foreign Operations

Currently, the Company's operations are conducted in the PRC and it is anticipated that this will continue to be the case. As such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; government corruption; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in investment policies or shifts in political attitudes in China may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, land use, land claims of local people and water use. Any events resulting in an adverse impact on the Chinese economy will likely have an adverse effect on the Company's profitability and prospects. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's business, financial condition and results of operations.

Marketing and Distribution Expertise

Achieving market success will require substantial marketing efforts and the expenditure of significant funds to inform potential customers of the distinctive characteristics and benefits of The Company's products and services. The Company's long-term success may also depend, to a significant extent, on its ability to expand its present internal marketing organization. The Company will, among other things, have to attract and retain experienced marketing and sales personnel. No assurance can be given that the Company will be able to attract and retain qualified or experienced marketing and sales personnel or that any efforts undertaken by such personnel will be successful.

Protection of Intellectual Property Rights

Intellectual property rights in China are still developing and there are uncertainties involved in intellectual property rights protection and the enforcement of such protection. The Company will need to pay special attention to protecting its intellectual property and trade secrets. Failure to do so could lead to the loss of a competitive advantage that could not be compensated by a damages award.

In addition, please refer to the financial instruments section for the analysis of the financial risks factor.