Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

For the Years ended December 31, 2017 and 2016

To the Shareholders of **Fireswirl Technologies Inc.**:

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

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

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

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

April 30, 2018

(signed)	(signed)
"Henry Au"	"Ji Yoon"
Interim Chief Executive Officer	Chief Financial Officer

MNP LLP

Independent Auditors' Report

To the Shareholders of Fireswirl Technologies Inc.:

We have audited the accompanying consolidated financial statements of Fireswirl Technologies Inc., (the "Company") which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fireswirl Technologies Inc. as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(b) of these consolidated financial statements, which states that the Company incurred significant operating losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 2(b), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

MNP LLP

Vancouver, British Columbia

April 30, 2018

Chartered Professional Accountants

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31 2017	December 31 2016
Assets			
Current assets			
Cash and cash equivalents		$ 349,943	$ 1,785,867
Trade and other receivables	8	60,979	46,334
Deposits and prepayments		27,337	134,459
Inventory		-	184,649
Assets held for sale	6	-	14,921,692
Total Current Assets		438,259	17,073,001
Investment	9/15	20,023	150,000
Property and equipment	10/15	18,697	3,969
Total assets		$ 476,979	$ 17,226,970
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 662,119	$ 525,109
Due to related parties	14	176,536	-
Deferred revenue		21,672	-
Liabilities associated with assets held for sale	6	-	13,036,065
Total liabilities		860,327	13,561,174
Shareholders' equity			
Common shares	11	7,933,881	8,206,521
Contributed surplus	11	3,722,331	3,641,548
Accumulated other comprehensive income		161,285	235,284
Accumulated other comprehensive income relating to assets held for sale	6	-	21,952
Accumulated deficit		(12,156,700)	(9,662,205)
Total equity attributable to shareholders of the Company		(339,203)	2,443,100
Non-controlling interest associated with assets held for sale	6/12	-	1,222,696
Non-controlling interest	12	(44,145)	-
Total equity		(383,348)	3,665,796
Total liabilities and shareholders' equity		$ 476,979	$ 17,226,970

Going concern assumption (Note 2b)
Commitment (Note 17)

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

On behalf of the Board of Directors

"Henry Au"
Director

"Ji Yoon"
Director

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Notes	Years ended December 31 2017	2016
Operating revenue			
Sales		$ 150,990	$ 45,629
Service revenue		139,794	71,900
		290,784	117,529
Cost of sales		167,538	73,789
		123,246	43,740
Operating expenses			
General administration	19	1,461,138	1,215,126
Sales and marketing	19	160,197	176,110
		1,621,335	1,391,236
		(1,498,089)	(1,347,496)
Foreign exchange loss		(53,737)	(1,981)
Gain on disposition of investment in XCXD	6	56,281	-
Impairment of goodwill	7	(1,105,248)	-
Interest and other income		2,981	19,324
Finance costs	14	(29,924)	(1,925)
Loss before income tax from continuing operations		(2,627,736)	(1,332,078)
Income tax expenses		-	-
Net loss for the year from continuing operations		(2,627,736)	(1,332,078)
Net income from discontinued operations, net of tax	6	-	498,146
Net loss for the year		(2,627,736)	(833,932)
Other comprehensive loss (income) to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		54,047	(261,085)
Change in fair value of available-for-sale investment		(129,977)	-
Net comprehensive loss		$ (2,703,666)	$ (1,095,017)
Net (loss) income for the year attributable to:			
Common shareholders of the Company		$ (2,494,495)	$ (1,983,997)
Non-controlling interest	12	(133,241)	1,150,065
		$ (2,627,736)	$ (833,932)
Comprehensive (loss) income for the year attributable to:			
Common shareholders of the Company		$ (2,568,494)	$ (2,219,070)
Non-controlling interest	12	(135,172)	1,124,053
		$ (2,703,666)	$ (1,095,017)
Basic and diluted per share of:			
Net loss from continuing operations attributable to common shareholders of the Company		$ (0.05)	$ (0.02)
Net loss attributable to common shareholders of the Company		$ (0.05)	$ (0.04)
Weighted average number of common shares			
Basic and diluted		50,019,077	53,571,285

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

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Notes	Number of shares issued and outstanding	Share capital	Contribution surplus	Accumulated other comprehensive income	Accumulated other comprehensive income relating to assets held for sale	Accumulated deficit	Total	Non-controlling interest	Total shareholders' equity
Balance at December 31, 2015		53,571,285	$ 8,206,521	$ 3,593,579	$ 492,309	$ -	$ (7,678,208)	$ 4,614,201	$ 98,643	$ 4,712,844
Net loss for the year		-	-	-	-	-	(1,983,997)	(1,983,997)	1,150,065	(833,932)
Discontinued operations		-	-	-	(21,952)	21,952	-	-	-	-
Share-based compensation		-	-	47,969	-	-	-	47,969	-	47,969
Exchange differences on translation of foreign operations		-	-	-	(235,073)	-	-	(235,073)	(26,012)	(261,085)
Balance at December 31, 2016		53,571,285	$ 8,206,521	$ 3,641,548	$ 235,284	$ 21,952	$ (9,662,205)	$ 2,443,100	$ 1,222,696	$ 3,665,796
Net loss for the year		-	-	-	-	-	(2,494,495)	(2,494,495)	(133,241)	(2,627,736)
Acquisition of AMZON	7	-	-	-	-	-	-	-	91,027	91,027
Share-based compensation		-	-	80,783	-	-	-	80,783	-	80,783
Loss of control on investment in XCXD	6	-	-	-	-	(21,952)	-	(21,952)	(1,222,696)	(1,244,648)
Change in fair value of available-for-sale investment	9	-	-	-	(129,977)	-	-	(129,977)	-	(129,977)
Exchange differences on translation of foreign operations		-	-	-	55,978	-	-	55,978	(1,931)	54,047
Shares returned to treasury for the disposition of XCXD	6	(6,058,673)	(272,640)	-	-	-	-	(272,640)	-	(272,640)
Balance at December 31, 2017		**47,512,612**	**$ 7,933,881**	**$ 3,722,331**	**$ 161,285**	**$ -**	**$ (12,156,700)**	**$ (339,203)**	**$ (44,145)**	**$ (383,348)**

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes		Years ended December 31 2017		2016
OPERATING ACTIVITIES					
Loss before income tax from continuing operations		$	(2,627,736)	$	(1,332,078)
Loss before income tax from discontinued operations			-		1,250,253
Loss before tax			(2,627,736)		(81,825)
Add (deduct) items not affecting cash:					
Depreciation and amortization	10		15,821		53,806
Loss on disposition of equipment	10		1,197		19,176
Share-based compensation	11		80,783		47,969
Gain on disposition of XCXD	6		(56,281)		-
Bad debt recovery	8/19		15,604		(99,851)
Impairment loss recognized on assets held for sales			-		1,722,533
Impairment of goodwill	7		1,105,248		-
Interest and other income			26,943		(26,008)
Finance costs			29,924		587,069
Changes in non-cash working capital items:					
Trade and other receivables			(3,439)		(2,665,302)
Taxes recoverable			(10,419)		80,356
Due from/to related parties			175,073		(107,317)
Deposits and prepayments			109,663		3,473,576
Inventory			183,702		(5,213,148)
Accounts payable and accrued liabilities			132,069		628,077
Deferred revenue			(15,639)		-
			(837,487)		(1,580,889)
Interest received			2,981		26,008
Government grant received for loan interest expenses			-		199,509
Interest paid			-		(553,905)
Income taxes paid			-		(69,636)
Net cash flows used in operating activities			(834,506)		(1,978,913)
INVESTING ACTIVITIES					
Acquisition of property and equipment	10		(2,856)		(55,110)
Acquisition of AZMON, net of cash received	7		(986,488)		-
Advances payment received relating to disposition of XCXD	6		424,620		-
Net cash flows used in investing activities			(564,724)		(55,110)
FINANCING ACTIVITIES					
Proceeds from short term loans			-		1,920,755
Change in restricted cash			-		(394,913)
Loan from a director (net of repayment)			17,272		(29,834)
Net cash flows from financing activities			17,272		1,496,008
Effect of exchange rate changes on cash and cash			(53,966)		(49,924)
Decrease in cash and cash equivalents			(1,435,924)		(587,939)
Cash and cash equivalents, beginning of year			1,785,867		3,136,307
Cash and cash equivalents, end of year		$	349,943	$	2,548,368
Cash and cash equivalents consisting of					
Cash and cash equivalents		$	349,943	$	1,785,867
Cash attributable to discontinued operations			-		762,501
		$	349,943	$	2,548,368

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

Note 1 – Reporting Entity

Fireswirl Technologies Inc. (the “Company”) was founded in 1999 and became publicly listed in 2006. The Company through its subsidiaries focus on conducting e-commerce, including operating official online stores for international brands in China and reselling branded products on these online stores and online store content development and deployment. Starting in February 2017, the Company also commenced the business of providing multimedia and interactive marketing solutions, specializing in three dimensional visualizations, computer graphics and digital design (Note 7).

The address of the Company’s registered office is 1000 - 925 West Georgia Street, Vancouver, British Columbia. The Company’s shares are listed on the TSX Venture Exchange under the symbol FSW.

Note 2 – Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018.

b) Gong concern assumption

These consolidated financial statements have been prepared on a going concern basis which contemplates 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 assumptions 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 statement to financial position classifications.

For the year ended December 31, 2017, the Company incurred an operating loss of $2,627,736. As at December 31, 2017, the Company had an accumulated deficit of $12,156,700 since inception. On February 3, 2017, the Company has entered into a share purchase agreement to purchase an aggregate of 60% equity interest in AMZON (HK) Limited (“AMZON”) (Note 7). On May 31, 2017, the Company completed the disposition of its investment in Beijing Xingchang Xinda Technology Development Co., Ltd. (“XCXD”) (Note 6).

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. There can be no assurance that such financing and profitability will occur in the amounts and with terms expected. 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 needs, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company’s best interest.

There is material uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future. These factors raise significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern.

c) Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

d) Basis of measurement

The consolidated financial statements have been prepared mainly under the historical cost basis except for those as explained in the accounting policies below.

Note 3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2017 that had a material impact on these consolidated financial statements.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Basis of consolidation

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

Name	Place of incorporation	Ownership	
		2017	2016
Fireswirl Systems Inc.	British Columbia, Canada	100%	100%
Fireswirl Asia Ltd.	Hong Kong, China	100%	100%
Fireswirl Mobile Solutions Ltd. (inactive)	Hong Kong, China	100%	100%
AMZON (HK) Limited *	Hong Kong, China	60%	-
M- Lingo Limited (inactive)	British Virgin Island	51%	51%
SMS Translators Limited (inactive)	British Virgin Island	51%	51%
Fireswirl Technologies (Shenzhen) Co.Ltd.	Shenzhen, China	100%	100%
Fireswirl Technologies (Beijing) Co. Ltd. (inactive)	Beijing, China	100%	100%
Beijing Xingchang Xinda Technology Development Co., Ltd. **	Beijing, China	-	50%

* During the year ended December 31, 2017, the Company acquired 60% ownership in AMZON (HK) Limited. Refer to Note 7.

** During the year ended December 31, 2017, the Company completed its disposition of investment in Beijing Xingchang Xinda Technology Development Co, Ltd. Refer to Note 6.

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

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

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

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

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

As fully discussed in Note 6, the Company derecognized the assets and liabilities of XCXD and ceased to report the operating results of XCXD effective January 1, 2017 as the Company concluded it is no longer exercise the control over XCXD. Effective the same date, the Company presented and measured the investment in XCXD
at the fair value.

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

b) Foreign currency

The functional currency of the Company is Canadian dollar. The functional currency of the respective subsidiary is Canadian dollar for Fireswirl Systems Inc., Hong Kong dollar for Fireswirl Asia Ltd., Fireswirl Mobile Solutions Ltd., and AMZON (HK) Limited, and RMB for Fireswirl Technologies (Shenzhen) Co. Ltd, and Fireswirl Technologies (Beijing) Co. Ltd.

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

(ii) Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the year. All resulting exchange differences are recognized directly in other comprehensive income (loss) and accumulated in equity.

When the Company disposes of its interests in its subsidiaries resulting in a loss of control, the cumulative exchange differences recognized in accumulated other comprehensive income (loss) would be recognized in the consolidated statements of income (loss) as part of the profit or loss on disposition.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash, funds in bank accounts, and marketable securities such as guaranteed investment certificates with an original maturity date of less than 90 days and are initially measured at fair value, and subsequently measured at amortized cost, which approximates fair value due to the short-term and liquid nature of these assets. Interest income earned on these marketable securities is recorded using the effective interest rate method. As at December 31, 2017 and 2016, the Company did not have cash equivalents.

d) Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses. An allowance for doubtful account is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

e) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purposes for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit and loss:

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the consolidated statements of income (loss) within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the financial position date, which is classified as non-current.

(ii) Available-for-sale:

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost in which case the loss is recognized in the consolidated statements of income (loss). Investment in Empower Environmental Solutions Ltd. (Note 9) is classified as an available-for-sale financial asset.

(iii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The Company's loans and receivables comprised of cash and cash equivalents and trade and other receivables.

(iv) Financial liabilities at amortized cost:

Financial liabilities at amortized cost include accounts payables and accrued liabilities and due to related parties. Financial liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Transaction costs associated with financial assets or financial liabilities carried at fair value through profit or loss are expensed as incurred while transaction costs associated with all other financial assets or financial liabilities are included in the initial carrying amount of the asset or liabilities.

f) Inventory

Inventory consisting of resale goods Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. In establishing any impairment of inventory, management estimates the likelihood that inventory carrying values will be affected by changes in market demand which would impair the value of inventory on hand.

g) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight-line basis over the property and equipment's estimated useful lives as listed below:

Computer and office equipment	3 year straight-line
Furniture and fixtures	5 year straight-line
Leasehold improvements	Straight-line over the term of the lease

Depreciation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

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

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

h) Goodwill

Under the acquisition method of accounting the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortized; instead it is tested annually for impairment and is measured at cost less accumulated impairment losses.

At the date of acquisition, goodwill is allocated to each cash-generating unit ("CGU"), or a group of CGUs, that are expected to benefit from the synergies of the business combination. A group of CGUs represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

i) Impairment

(i) Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized and presented in accumulated other comprehensive income in equity, to net income (loss). The cumulative loss that is removed from the accumulated other comprehensive income and recognized in net income (loss) is the difference between the acquisition costs, net of any principal repayment and amortization, and the current fair value less any impairment loss previously recognized in net income (loss). If subsequently the fair value of any impaired available-for sale security increases, then the impairment loss is reversed with the amount of the reversal recognized in net income (loss).

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. Cash-generating units to which goodwill have been allocated reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

k) Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. When share capital is repurchased, the amount of the consideration paid, included directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are subsequently reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from accumulated deficit.

l) Revenue recognition

The Company generates its revenue from online merchandize resale, system setup fees and customization fees and multimedia/marketing solutions service fees. Revenue from the sale of online merchandise is recognized, net of sales discounts and estimated sales returns, when goods are delivered, title and risk passes to the buyer, the price is reasonably determinable and collection is reasonably assured. System setup fees, customization fees and multimedia/marketing solutions service fees are recognized at the time when service is delivered, fees are measured reliably and collection is reasonably assured.

m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

n) Share-based compensation

The Company offers share-based compensation to key employees and non-executive directors as described below. The Company accounts for the stock option plan, which calls for settlement by the issuance of equity instruments, using the fair value method. Under the fair value method, compensation cost attributed to the options awarded is measured at fair value using the Black-Scholes valuation method at the grant date and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting period.

Compensation cost is recognized so that each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

o) Other comprehensive income

Other comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income such as unrealized gains or losses on available-for-sale investments and translation gains or losses on translation of foreign operations to the presentation currency of the Canadian Dollar. Other comprehensive income is comprised of foreign currency translation gains and losses, which are not included in net income (loss) until realized.

p) Income taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q) Deposit and prepayments

Deposit and prepayments mainly consist of prepayments for services and rental deposits as of December 31, 2017. Deposit and prepayments as of December 31, 2016 also consisted of prepayment to vendors for purchases of inventory.

r) Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cashflows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or
- geographic area of operations; or
- is a subsidiary acquired exclusively with the view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When the operations is classified as a discontinued operation, the consolidated statements of income (loss) and comprehensive income (loss) is re-presented as if the operation has been discontinued from the start of the comparative year.

s) Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognized in profit or loss.

t) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury shares. Diluted earnings per share is calculated using the treasury stock method.

Under the treasury stock method the dilution is calculated based upon the number of common shares issued should "in the money" options or warrants, if any, be exercised. When the effects of outstanding share-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. During the year ended December 31, 2017, stock options are not included in the computation of earnings per share as these stock options are out of the money and such inclusion would be anti-dilutive.

Note 4 – Critical Judgments and Key Sources of Estimation Uncertainty

a) Critical judgements in applying accounting policies

Critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statement are management's assessment of the Company's ability to continue as a going concern and the Company's ability to exercise the control over the investment in XCXD. Refer to Notes 2(b) and 6 for more information.

b) Key sources of estimation uncertainty

(i) Impairment of long lived assets

Determining the amount of impairment of long lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company's long term assets such as investments or property and equipment. Refer to Notes 6 and 7 for more information relating to impairment of goodwill as at December 31, 2017 and 2016.

(ii) Sales returns

The Company allows sales returns of merchandises purchased online within 7-14 days of purchases. Sales returns are recorded as a reduction of revenue when the related revenue is recognized. At each reporting period the Company estimates the allowance required for expected returns using a combination of historical experience and current market conditions. These estimates are reviewed periodically against actual results and any adjustments are recorded at that time as an increase or decrease to net sales. During the years ended December 31, 2017 and 2016, there have been no material adjustments to the Company's estimates made in prior years.

(iii) Share-based compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options. Refer to Note 11(b) for more information.

(iv) Income taxes

The Company is subject to income taxes in Canada and in China. Management has estimated the income tax provision and deferred tax balances in accordance with its interpretation of the various income tax laws and regulations, and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred tax balances could change. Refer to Note 13 for more information.

Note 5 – IFRS Standards Issued But not yet Effective

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these 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.

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

On July 24, 2014 the IASB issued the complete IFRS 9, Financial Instruments ("IFRS 9"), a replacement of IAS 39 Financial Instruments – Recognition and Measurement. 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. The adoption of this standard does not have material impact on the Company's consolidated financial statements.

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. The Company does not expect the adoption of the new standard to have a significant impact on its consolidated financial statements.

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. The Company is still in the process of assessing the impact that these standards will have on its consolidated financial statements.

Note 6 – Disposition of XCXD

On September 9, 2009, the Company, through a wholly owned subsidiary incorporated under the laws of the People's Republic of China, entered into a definitive agreement for the acquisition of 50% of the rights and interests in XCXD and the right to vote 51% of the voting shares of XCXD at all meetings of the shareholders of XCXD. As consideration for the acquisition of its interests in XCXD, the Company issued 6,058,673 common shares in the capital of the Company (the "Consideration Shares"). XCXD is a limited liability company incorporated in and operating in Beijing, China.

Throughout the time from the acquisition of the Company's controlling interest in XCXD to the present, XCXD incurred recurring losses and required financing from the Company to sustain its operations. Because of the recurring losses and the growing challenges relating to control of the strategic direction of XCXD and its continuing operations, the Company decided to sell its shares of XCXD back to XCXD's non-controlling interest shareholders.

On February 29, 2016, the Company entered into an agreement with XCXD's non-controlling interest shareholders to sell the Company's interest in XCXD (the "Agreement"), the term of which includes the amendments to such agreement, as described below. As part of the Agreement, the non-controlling interest shareholders of XCXD and XCXD's senior management were required to repay to the Company certain advances made by the Company to XCXD, in the aggregate amount of RMB5,000,000 (approximately $965,000) (the "Advances"). The transaction was originally expected to be completed by May 31, 2016.

In April 2016, it became apparent to the Company that the non-controlling interest shareholders and senior management of XCXD would not be able to repay the Advances by May 31, 2016. Consequently, the Agreement was amended to extend the closing date to December 31, 2016.

In December 2016, the Company again realized that the transactions contemplated by the Agreement would not close on December 31, 2016, as the non-controlling interest shareholders of XCXD would not be able to repay all the Advances. The Agreement was again amended on December 31, 2016 to extend the closing date to April 30, 2017. The sale of the Company's interest in XCXD and partial repayment of the Advances were completed in May 2017. Of the Advances, RMB3,500,000 (approximately $675,500) was received (of which RMB1,300,000 was received by December 31, 2016, the remaining RMB2,200,000 was received in 2017) and RMB1,500,000 (approximately $289,500) was written off by the Company. The Consideration Shares were returned to the Company and were cancelled in May 2017.

The Company ceased its effective control over XCXD on January 1, 2017 after its second amendment to the Agreement in December 2016. During the negotiation with XCXD's non-controlling interest shareholders to establish the second amendment to the agreement, it was renegotiated that the settlement amount is to be revised to RMB 3,500,000. As a result of signing the second amendment, XCXD management deemed that its obligation to share further corporate strategy updates and accounting records were ceased starting the new fiscal year on January 1, 2017. Control existed when the Company was exposed, and had the rights, to variable returns from its involvement with XCXD and had the ability to affect those returns. Given that the Company could no longer involve in the operations of XCXD, control ceased on January 1, 2017.

As at December 31, 2016, the Company's interest in XCXD was reported as assets held for sale in the Company's statement of financial position. The operating results of XCXD for the year ended December 31, 2016 were reported as discontinued operations. A loss of $1,801,983 from the sale of XCXD was also reported for the year ended December 31, 2016 to recognize the fair value of the Company's investment in XCXD.

Since the Company did not have control over the operations or the cash flows of XCXD effective January 1, 2017, the Company derecognized the assets and liabilities of XCXD from its consolidated statement of financial position. The Company then accounted for its remaining investment in XCXD at fair value and ceased reporting the operating results of XCXD from January 1, 2017 to the eventual date of its sale on May 31, 2017.

The movement of investment in XCXD for the period from January 1, 2017 to the date of the disposition and the loss on the disposition of XCXD are presented below:

		Fair value amount
Balance, January 1, 2017	**$**	**640,979**
Fair value of 6,058,673 common shares of the Company received		272,640
Cash received (RMB 2,200,000)		424,620
Consideration received from disposition	**$**	**697,260**
Gain on disposition of investment in XCXD	**$**	**(56,281)**

All of the XCXD's revenues are generated in China and all of XCXD's assets are located in China. The major classes of assets and liabilities of XCXD classified as held for sales as at December 31, 2016 are as follows:

		December 31, 2016
Assets		
Cash and cash equivalents	$	762,501
Restricted cash (i)		1,052,232
Accounts receivable		5,282,485
Deposits and prepayments		534,768
Inventory		7,289,706
Total assets held for sale (ii)	$	14,921,692
Liabilities		
Accounts payable and accrued liabilities	$	(2,580,563)
Due to a related party (iii)		(15,267)
Short term loans (iv)		(10,440,235)
Total liabilities relating to assets held for sale	$	(13,036,065)
Accumulated other comprehensive income relating relating to assets held for sale	$	(21,952)
Non-controlling interest associate with the assets held for sale		(1,222,696)
Net assets held for sale	$	640,979

The operating results of XCXD for the year ended December 31, 2016 have been presented as discontinued operations for the year ended December 31, 2016 as below:

		For the year ended December 31 2016
Operating revenue		
Sales	$	63,274,267
Service revenue		13,881,279
Total operating revenue		77,155,546
Operating expenses		(73,524,847)
Operating income (loss) before below items		3,630,699
Interest and other income		6,684
Finance costs		(585,147)
Impairment loss recognized on remeasurement to fair value less costs to sell (ii)		(1,801,983)
Income before income tax from discontinued operations		1,250,253
Income tax expense		(752,107)
Net income from discontinued operations		498,146
Net loss from discontinued operations attributable to:		
shareholders of the Company	$	(651,919)
Basic and diluted loss per share from discontinued operations	$	(0.01)

The net cash flows from XCXD for the year ended December 31, 2016 are as follows:

		For the year ended December 31 2016
Net cash from operating activities	$	(875,342)
Net cash used in investing activities		(53,055)
Net cash used in financing activities		1,525,841
Net cash inflow	$	597,444
Cash disposed as a result of disposition of XCXD	$	-

(i) XCXD is required to maintain a deposit of RMB5,451,926 (equivalent to $1,052,232) as at December 31, 2016 with its financial institution for its short term loan accounts. The restricted cash will be released when the short term loans are paid off.

(ii) The Company recorded an impairment loss of $1,801,983 as at and for the year ended December 31, 2016 to reduce the carrying amount of the assets held for sale to their fair value less costs to sell. The fair value is determined by reference to the fair value of the consideration estimated based on the quoted market price of the Company's share at the year end. The impairment loss was first allocated to reduce the carrying amount of the goodwill of $306,926 to nil with the remaining allocated to reduce the carrying value of property and equipment and prepayment and deposits. The impairment loss was recognized in the net income (loss) from discontinued operations.

(iii) As at December 31, 2016, XCXD had a payable of $15,267 owing to a shareholder of XCXD.

(iv) As at December 31, 2016, XCXD had various revolving credit facilities and short term bank loans in the amount of $10,440,235. The weighted average interest rate for the year ended December 31, 2016 is 9.15%. These loans were secured by XCXD's restricted cash and apartments owned by XCXD's management.

(v) During the year ended December 31, 2016, XCXD provided service to set up an e-commerce platform for a company controlled by one of the non-controlling shareholders of XCXD for RMB2,488,159 (equivalent to $495,718) which has been collected as of December 31, 2016.

(vi) During the year ended December 31, 2016, the Company received interest subsidy in the amount of RMB1,000,000 (equivalent to $199,509). For the year ended December 31, 2016, the total interest expense on short term loans net of the interest subsidy received is $585,147. These loans are not subject to any financial covenants.

Note 7 – Acquisition of AMZON

On February 3, 2017, the Company entered into a share purchase agreement, pursuant to which the Company agreed to purchase an aggregate of 60% equity interest in 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 16, 2017, the Company completed the first payment (the "First Payment Date") in the amount of HK$4.8 million (equivalent to $823,560) and acquired 40% of the equity interest in AMZON. On April 21, 2017, the Company completed the second payment (the "Second Payment Date") in the amount of HK$1.2 million (equivalent to $208,438) and acquired additional 10% of the equity interest in AMZON. On May 15, 2017, the Company completed the third payment (the "Third Payment Date") in the amount of HK$1.2 million (equivalent to $210,175) and acquired the final 10% of the equity interest in AMZON. 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 acquisition of AMZON has been accounted for as a business acquisition using the acquisition method. The First Payment Date (the "Acquisition Date") is the date of the initial acquisition of 40% of the equity interest in AMZON. The Company has appointed two of three directors of AMZON since the Acquisition Date and has *de facto* control over AMZON. There were no material operations from the First Payment Date to the Third Payment Date. These consolidated financial statements include the results of AMZON for the period from the First Payment Date to December 31, 2017. The Company has elected to measure the non-controlling interest in the acquiree at proportionate share of its interest in the acquiree's identifiable net assets.

During the fourth quarter of 2017, the Company completed the evaluation of the assets and liabilities acquired from AMZON and concluded there are no identifiable intangible assets acquired, and the 100% incremental value between the purchase price and the net tangible assets acquired was allocated to goodwill.

The purchase price allocation of the fair value of assets acquired and liabilities assumed of AMZON as at the Acquisition Date were:

		Fair value recognized on acquisition
Cash	$	255,685
Trade receivables		20,846
Equipment		30,027
Due from a director		1,832
Customer deposit		(39,376)
Accounts payable and accrue liabilities		(41,062)
Total identifiable net assets at fair value		227,952
Non-controlling interest (40% of net assets)		(91,027)
Goodwill arising on acquisition (i)		1,105,248
Purchase consideration transferred	**$**	**1,242,173**
Consideration paid (HK$7,200,000)	**$**	**1,242,173**
Net cash acquired with the subsidiary	$	255,685
Cash paid		(1,242,173)
Net cash flow on acquisition	**$**	**(986,488)**

(i) The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of AMZON with those of the Company. The goodwill is not deductible for tax purposes. At the year ended December 31, 2017, the Company performed the goodwill impairment assessment and recorded a 100% impairment provision towards to this goodwill.

From the date of acquisition, AMZON has contributed $227,859 of the revenue and $333,101 to the net loss before income tax from continuing operations. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been $465,662 and the loss before income tax from continuing operations would have been $2,950,974 for the year ended December 31, 2017.

Note 8 – Trade and Other Receivables

		December 31, 2017		December 31, 2016
Trade receivables	$	33,039	$	10,231
VAT/GST receivable		27,940		36,103
	$	**60,979**	$	**46,334**

During the year ended December 31, 2017, the Company recorded bad debt expense of $15,604. (2016 – bad debt recovery of $60,476 related to continuing operations).

Note 9 – Investment in Empower Environmental Solutions Ltd.

On August 4, 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 of $150,000, representing approximately 4% equity interest in 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. The investment in EMP is classified as available for sale and is presented as a non-current asset. The maximum risk exposure is the amount the Company invested in EMP. As at December 31, 2017, the fair value of investment in EMP is $22,023 (2016 - $150,000) and $129,977 (2016 – $ nil) impairment is recorded in the other comprehensive income. The fair value of the investment in EMP is measured by assessing the financial position of EMP (level 2 in the fair value hierarchy) as at December 31, 2017.

Note 10 – Property and equipment

	Furniture & Fixtures	Computers & Office Equipment	Leasehold Improvement	Total
Asset Costs				
Balance, December 31, 2015	**$ 5,474**	**$ 663,357**	**$ 250,846**	**$ 919,677**
Additions	-	54,900	-	54,900
Assets held for sales (Note 6)	-	(641,375)	(205,491)	(846,866)
Foreign exchange	(517)	(63,230)	(21,400)	(85,147)
Balance, December 31, 2016	**4,957**	**13,652**	**23,955**	**42,564**
Acquisition through AMZON	2,279	27,748	-	30,027
Additions	-	2,856	-	2,856
Disposals	-	(1,721)	-	(1,721)
Foreign exchange	(147)	(1,261)	-	(1,408)
Balance, December 31, 2017	**$ 7,089**	**$ 41,274**	**$ 23,955**	**$ 72,318**
				-
Accumulated Depreciation				-
Balance, December 31, 2015	**$ 5,474**	**$ 540,947**	**$ 250,846**	**$ 797,267**
Amortization of the year	-	53,806	-	53,806
Assets held for sales (Note 6)	-	(532,885)	(205,491)	(738,376)
Foreign exchange	(765)	(51,937)	(21,400)	(74,102)
Balance, December 31, 2016	**4,709**	**9,931**	**23,955**	**38,595**
Amortization of the year	2,198	13,623	-	15,821
Disposals	-	(524)	-	(524)
Foreign exchange	(66)	(205)	-	(271)
Balance, December 31, 2017	**$ 6,841**	**$ 22,825**	**$ 23,955**	**$ 53,621**
Carrying Amounts				
At December 31, 2015	**$ -**	**$ 122,410**	**$ -**	**$ 122,410**
At December 31, 2016	**$ 248**	**$ 3,721**	**$ -**	**$ 3,969**
At December 31, 2017	**$ 248**	**$ 18,449**	**$ -**	**$ 18,697**

Note 11 – Share Capital

a) Share capital

(i) Authorized:

Unlimited number of common shares, voting, without par value.
Unlimited number of preferred shares, issuable in series.

(ii) Issued and outstanding:

The Company had 47,512,612 and 53,571,285 common shares issued and outstanding as at December 31, 2017 and 2016, respectively. As discussed in Note 6, the Company completed the disposition of XCXD and received 6,058,673 common shares which were returned to treasury on May 31, 2017.

b) Stock option plan

The Company has established the stock option plan 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.

As at December 31, 2017, options outstanding from the Company's stock option plan were as follows:

	Number of options	Weighted average exercise price ($)
Balance, December 31, 2015	1,520,000	0.14
Granted	2,500,000	0.05
Forfeited/expired	(1,220,000)	0.01
Balance, December 31, 2016	2,800,000	0.06
Granted	1,300,000	0.05
Forfeited/expired	(250,000)	0.05
Balance, December 31, 2017	3,850,000	0.05

In June 2017, the Company granted 1,300,000 stock options to its directors, officers and employees to purchase common shares of the Company at an exercise price of $0.05 per share. These options are excisable over 5 years. 50% of these options vested immediately and the remaining options will vest in one year from the date of grant.

On May 27, 2016, the Company granted 2,500,000 stock options to its directors, officers and employees to purchase common shares of the Company at an exercise price of $0.05 per share. These options are excisable over 5 years. 50% of these options vested immediately and the remaining options will vest in one year from the date of grant. These options are exercisable over 5 years.

The grant date fair value of these options was calculated based on the Black-Scholes Pricing Model with the following assumptions:

	June 7, 2017 Grant	May 27, 2016 Grant
Expected life of options in years	5 years	5 years
Weighted average volatility	133%	121%
Risk free interest rate	1.28%	0.76%
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%
Share price at the date of grant	$ 0.05	$ 0.05

Volatility was determined based on the historical volatility of the Company's shares over the estimated life of stock options. For the year ended December 31, 2017, share-based compensation in the amount of $80,783 (2016 – $47,969) was recognized as general administration expenses in the Company's consolidated statements of loss.

The following table summarizes information about stock options outstanding at December 31, 2017:

	Options Outstanding			**Options Exercisable**	
Exercise Price ($)	**Number of options**		**Remaining contructual life (Years)**	**Number of options**	**Remaining contructual life (Years)**
0.05	800,000		4.44	400,000	4.44
0.05	250,000	(i)	0.10	250,000	0.10
0.05	1,300,000		3.41	1,300,000	3.41
0.05	1,200,000	(i)	0.10	1,200,000	0.10
0.09	100,000	(i)	0.10	100,000	0.10
0.09	100,000		2.44	100,000	2.44
0.12	100,000		2.26	100,000	2.26
	3,850,000		**2.23**	**3,450,000**	**1.98**

(i) Expired unexercised subsequent to the year ended December 31, 2017.

Note 12 – Non-controlling Interest

As at December 31, 2017, non-controlling interest ("NCI") represents 40% interest in AMZON (Note 7). As fully discussed in Note 6, the Company derecognized the assets and liabilities of XCXD, and ceased reporting the operating results of XCXD effective January 1, 2017 because the Company ceased its control over the investment in XCXD. The NCI balance as at December 31, 2016, represents the 50% interest in XCXD. The continuity of NCI is summarized below:

Balance, December 31, 2015	$ 98,643
Net income attributable to non-controlling interest	1,150,065
Other comprehensive loss attributable to non-controlling interest	(26,012)
Balance, December 31, 2016	**1,222,696**
Non-controlling interest in connection with the acquisition of AMZON (Note 7)	91,027
Net loss attributable to non-controlling interest	(133,241)
Other comprehensive loss attributable to non-controlling interest	(1,931)
Derecognize XCXD as a result of lost of control (Note 6)	(1,222,696)
Balance, December 31, 2017	**$ (44,145)**
Consisting of non-controlling interest associated with	
XCXD (Note 6)	$ -
AMZON	(44,145)
Total	**$ (44,145)**

	December 31, 2017
	$
Current assets	58,266
Non-current assets	15,296
Current liabilities	183,413
Revenue	227,859
Loss for the year	333,102
Total comprehensive loss for the year	337,803
Cash flow information:	
Cash inflows (outflow) from operating activities:	(234,538)
Cash inflows (outflow) from investing activities:	-
Cash inflows (outflow) from financing activities:	-

Note 13 – Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2017 and 2016:

		2017		2016
Loss before income tax from continuing operations	$	(2,627,736)	$	(1,332,078)
Statutory tax rate		26%		26%
Expected income tax recovery		(683,211)		(346,340)
Non-deductible items		54,829		37,700
Foreign tax rate difference		77,658		43,107
Change in deferred tax asset not recognized		550,724		265,533
Total income tax expense	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at December 31, 2017 and 2016 are as follows:

		2017		2016
Tax losses carryforwards (Canada)	$	5,881,620	$	5,097,555
Tax losses carryforwards (China and Hong Kong)		3,953,129		2,506,145
Intangible assets (Canada)		73,394		73,394
Intangible assets (China)		607,318		607,951
Fixed assets		123,724		121,831
Financing costs		14,081		31,195
Other		105,165		105,252
Unrecognized deductible temporary differences	$	10,758,431	$	8,543,323

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards for Canadian income tax purposes of approximately $5,881,620 from the Company's Canadian entity available to reduce taxable income in Canada. These losses expire in various years from 2025 to 2037:

Canada

Expiry		Total
2025	$	10,131
2026		141,527
2027		373,828
2028		524,628
2029		631,148
2030		410,644
2031		418,825
2032		413,586
2033		336,805
2034		755,422
2035		309,117
2036		798,037
2037		757,922
Total	$	5,881,620

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of tax loss carry forwards for Chinese income tax purposes of approximately $1,723,009 from the Company's Chinese subsidiaries available to reduce taxable income in China. These losses expire in various years from 2018 to 2022.

China

Expiry		Total
2018	$	268,319
2019		478,237
2020		14,450
2021		576
2022		961,427
Total	$	1,723,009

As at December 31, 2017, the Company has not recognized a deferred tax asset in respect of tax loss carry forwards for Hong Kong income tax purposes of approximately $2,230,120 from the Company's Hong Kong subsidiary available to reduce taxable income in Hong Kong. These losses can be carried forward indefinitely.

Note 14 – Related Party Transactions

The related party transactions are in the normal course of operations and are measured and recorded at the exchange amount of consideration agreed between the related parties. Related party transactions not disclosed elsewhere in these consolidated financial statements are listed below:

a) Due to related parties

	December 31, 2017	December 31, 2016
Due to a director (i)	$ 77,120	$ -
Due to a director of AMZON (ii)	99,416	-
	176,536	-
Amounts due to related parties included in accounts payable	160,314	24,791
Total	**$ 336,850**	**$ 24,791**

(i) During the year ended December 31, 2017, the Company borrowed a loan totaling $218,196 (RMB 1,140,000) (2016 - $Nil) from a director of the Company and recorded interest expense of $29,924 (RMB160,000) (2016 - $Nil) related to this loan. As at December 31, 2017, the outstanding amount of this loan is $77,120 (RMB 400,000). The loan is unsecured with total loan interest of RMB 160,000 (fully paid in 2017) with no stated repayment date.

(ii) Amount due to a director of AMZON is unsecured, non-interest bearing and has no specific repayment date.

b) Key management compensation

Key management includes directors (executive and non-executive), chief executive officer and chief financial officer of the Company. The compensation paid or payable to key management personnel during the years ended December 31, 2017 and 2016 is as follows:

	For the year ended December 31	
	2017	**2016**
Salaries and fees		
- Salaries and consulting fees	$ 561,921	$ 470,431
- Director fees	19,333	32,000
	581,254	502,431
Share-based compensation	52,007	40,293
Total	**$ 633,261**	**$ 542,724**

Key management personnel were not paid post employment benefits or other long-term benefits during the years ended December 31, 2017 and 2016.

Note 15 – Segmented Information

Substantially all of the Company's revenues were generated in Hong Kong and China. Sales from one customers accounted for 52% of the Company's total sales for the year ended December 31, 2017, no customer accounted for greater than 10% of the Company's sales for the year ended December 31, 2016.

The Company's long-term assets located in Canada, Hong Kong and China at December 31, 2017 are as follows:

December 31, 2017		Hong Kong and China		Canada		Total
Property and equipment	$	17,007	$	1,690	$	18,697
Investment		-		20,023		20,023
Total	**$**	**17,007**	**$**	**21,713**	**$**	**38,720**

The Company's long-term assets located in Canada, Hong Kong and China at December 31, 2016 are as follows:

December 31, 2016		Hong Kong and China		Canada		Total
Property and equipment	$	-	$	3,969	$	3,969
Investment		-		150,000		150,000
Total	**$**	**-**	**$**	**153,969**	**$**	**153,969**

Note 16 – 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 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 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 and due to related parties which are all classified as financial liabilities at amortized cost.

The fair values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the short-term nature of these instruments. EMP is a private entity. The fair value of the investment in EMP is measured by assessing the financial position of EMP (level 2 in the fair value hierarchy) as at December 31, 2017. As at December 31, 2017 and 2016, 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 $33,039 at December 31, 2017 (December 31, 2016 - $10,231).

There were no overdue trade receivables outstanding as at December 31, 2017 and collection is reasonably assured. As at December 31, 2017, there are two customers' receivable balance exceeding 10% of the total trade receivable balance representing 70% 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, 2017, 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 not exposed to significant interest risk as at December 31, 2017.

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, 2017, the Company had total debt in the amount of $860,327 due within 12 months (December 31, 2016 - $525,109 excluding the liabilities associated with the assets held for sale of $13,036,065) and $422,068 of working capital deficiency (December 31, 2016 - $3,511,827 of work capital) .

Note 17 – Commitments

The Company has entered into operating lease for its head office premise. The lease will expire in April 2018. Future aggregate minimum lease payment under non-cancellable operation lease is approximately $22,237. The Company also entered into a rental agreement for its office in China with future aggregate minimum lease payment of $6,143 expiring October 2018.

Note 18 – Capital Management

The Company has defined its capital as common shares, contributed surplus, accumulated other comprehensive income and accumulated deficit.

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 19 – Expenses by Nature

During the years ended December 31, 2017 and 2016, the Company incurred the following expenses:

		For the year ended December 31,	
General administration expense	**Note**	**2017**	**2016**
Salaries and benefits	14	891,541	700,548
Professional fees, insurance and public company costs		279,041	363,183
Occupancy costs		73,802	102,036
Share-based compensation	11/14	80,783	47,969
Other office expenses		103,349	41,133
Impairment of trademark		-	19,176
Loss on disposal equipment	10	1,197	-
Depreciation and amortization	10	15,821	1,557
Bad debt expense (recovery)	8	15,604	(60,476)
		1,461,138	1,215,126
Sales and marketing expense			
Travel		104,127	123,306
Meal and entertainment		55,923	50,804
Advertising and promotion		147	2,000
		160,197	176,110
Total operating expense		**1,621,335**	**1,391,236**

Note 20 – Subsequent Events

Subsequent to the year ended December 31, 2017, the Company completed a non-brokered private placement, raising $300,000 gross proceeds by issuing 6,000,000 common shares at a price of $0.05 per share.

Also see Note 11.