

# **GLORIOUS CREATION LIMITED**

## **Condensed Interim Consolidated Financial Statements** (Expressed in Canadian dollars - unaudited)

**September 30, 2018**

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**NOTICE OF NO AUDITORS' REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Glorious Creation Limited

## Condensed Interim Consolidated Statements of Financial Position

Expressed in Canadian dollars

Unaudited

As at

	September 30, 2018	December 31, 2017
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	81,826	269,562
Amounts receivable (Note 6)	66,160	63,459
Inventory (Note 8)	131,218	44,144
Prepaid expenses (Note 7)	77,480	68,835
<b>Total current assets</b>	<b>356,684</b>	<b>446,000</b>
Investment in associate (Note 16)	15,050	15,281
Capital assets (Note 10)	120,713	176,679
<b>Total assets</b>	<b>492,447</b>	<b>637,960</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	110,437	103,798
Due to related parties (Note 12)	32,560	21,229
Due to associate (Note 16)	111,876	109,941
Loans (Note 9)	188,260	14,852
<b>Total current liabilities</b>	<b>443,133</b>	<b>249,820</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	2,831,023	2,382,148
Reserve (Note 11)	609,630	276,505
Accumulated other comprehensive loss	(10,718)	(9,225)
Deficit	(3,232,971)	(2,169,521)
<b>Equity attributable to shareholders</b>	<b>196,964</b>	<b>479,907</b>
Non-controlling interest (Note 15)	(147,650)	(91,767)
<b>Total shareholders' equity</b>	<b>49,314</b>	<b>388,140</b>
<b>Total liabilities and shareholders' equity</b>	<b>492,447</b>	<b>637,960</b>

Nature of operations (Note 1)

Basis of preparation and going concern (Note 2)

On behalf of the Board:

<u>“Ian Mallman”</u>	Director
<u>“Kong Yuk Kan”</u>	Director

# Glorious Creation Limited

## Condensed Interim Consolidated Statements of Loss

Expressed in Canadian dollars

Unaudited

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
<b>Revenue</b>				
Sales of goods	434	42	12,213	14,568
Costs of goods sold	(2,016)	(1,116)	(14,226)	(21,953)
Service income	3,791	5,626	15,910	18,178
Service costs	(3,521)	(6,378)	(13,218)	(21,037)
<b>Gross profit (loss)</b>	<b>(1,312)</b>	<b>(1,826)</b>	<b>679</b>	<b>(10,244)</b>
<b>General and administrative expenses</b>				
Amortization	20,337	2,798	61,648	9,790
Accounting and auditing (Note 12)	1,192	(4,634)	7,910	63,225
Consulting	-	-	17,738	-
Director fees	9,000	3,000	27,000	3,000
Legal	24,075	25,562	43,434	167,044
Loan charges and interest	1,489	943	4,783	943
Management fees (Note 12)	64,674	25,855	155,909	98,862
Marketing	32,549	-	99,132	-
Office and miscellaneous (Note 12)	37,194	12,261	94,139	46,359
Rent	28,821	17,809	73,817	54,524
Salaries and benefits	48,588	35,520	149,503	97,529
Share-based compensation	99,763	111,099	333,124	111,009
Travel and related	2,716	15,094	35,889	39,191
Registration and filing	5,609	10,500	15,756	24,255
Write-off of receivables	-	(987)	-	27,637
<b>Total general and administrative expenses</b>	<b>(376,007)</b>	<b>(254,730)</b>	<b>(1,119,782)</b>	<b>(743,368)</b>
Equity loss from associate (Note 16)	(18)	(8)	(230)	(304)
<b>Net loss for the period</b>	<b>(377,337)</b>	<b>(256,564)</b>	<b>(1,119,333)</b>	<b>(753,916)</b>
<b>Net loss attributable to</b>				
Shareholders of the Company	(357,927)	(249,514)	(1,063,450)	(725,332)
Non-controlling interest (Note 15)	(19,410)	(7,050)	(55,883)	(28,254)
<b>Weighted average number of common shares outstanding</b>	<b>39,222,001</b>	<b>35,039,784</b>	<b>38,972,917</b>	<b>33,750,083</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.02)</b>

# Glorious Creation Limited

## Condensed Interim Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

Unaudited

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$	\$	\$
<b>Net loss for the period</b>	(377,337)	(256,564)	(1,119,333)	(753,916)
<b>Other comprehensive income (loss)</b>				
Foreign exchange gain (loss) on translating foreign operations	30,288	10,560	(1,493)	16,207
<b>Comprehensive loss</b>	(347,049)	(246,004)	(1,120,826)	(737,709)
<b>Comprehensive loss attributable to</b>				
Shareholders of the Company	(327,639)	(238,954)	(1,064,943)	(709,125)
Non-controlling interest	(19,410)	(7,050)	(55,883)	(28,584)

# Glorious Creation Limited

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Expressed in Canadian dollars

Unaudited

Share Capital							
	Number of common shares	Amount	Reserve	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
		\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2016</b>	<b>31,770,415</b>	<b>1,028,752</b>	-	<b>(20,396)</b>	<b>( 1,017,332)</b>	<b>(43,909)</b>	<b>(52,885)</b>
Private placement	1,729,586	103,775	-	-	-	-	103,775
Share issued for IPO	4,722,000	1,416,600	-	-	-	-	1,416,600
Share issuance costs	-	(164,880)	38,447	-	-	-	(126,433)
Share-based compensation	-	-	111,009	-	-	-	111,009
Loss for the period	-	-	-	-	(725,331)	(28,585)	(753,916)
Foreign currency translation difference	-	-	-	16,207	-	-	16,207
<b>Balance, September 30, 2017</b>	<b>38,222,001</b>	<b>2,384,247</b>	<b>149,456</b>	<b>(4,189)</b>	<b>( 1,742,663)</b>	<b>(72,494)</b>	<b>714,357</b>
Share issuance costs	-	2,099	-	-	-	-	2,099
Share-based compensation	-	-	127,049	-	-	-	127,049
Loss for the period	-	-	-	-	(426,858)	(19,273)	(446,131)
Foreign currency translation difference	-	-	-	(5,036)	-	-	(5,036)
<b>Balance, December 31, 2017</b>	<b>38,222,001</b>	<b>2,382,148</b>	<b>276,505</b>	<b>(9,225)</b>	<b>(2,169,521)</b>	<b>(91,767)</b>	<b>388,140</b>
Private placement	1,000,000	450,000	-	-	-	-	450,000
Share issuance costs	-	(1,125)	-	-	-	-	(1,125)
Share-based compensation	-	-	333,124	-	-	-	333,124
Loss for the period	-	-	-	-	(1,063,450)	(55,883)	(1,119,333)
Foreign currency translation difference	-	-	-	(1,493)	-	-	(1,493)
<b>Balance, September 30, 2018</b>	<b>39,222,001</b>	<b>2,831,023</b>	<b>609,630</b>	<b>(10,718)</b>	<b>(3,232,971)</b>	<b>(147,650)</b>	<b>49,314</b>

# Glorious Creation Limited

## Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

Unaudited

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,119,333)	(753,916)
Non-cash items:		
Amortization	61,648	9,790
Equity loss from associate	231	304
Share-based compensation	333,124	111,009
Write-off of receivables	-	27,637
Changes in non-cash working capital items:		
Amounts receivable	(2,701)	(34,922)
Prepaid expenses	(8,645)	(70,635)
Accounts payable and accrued liabilities	6,639	(68,884)
Inventories	(87,074)	(39,068)
,Due to/from related parties	11,331	5,162
<b>Total cash used in operating activities</b>	<b>(804,780)</b>	<b>(813,523)</b>
<b>Investing activities</b>		
Purchase of capital assets	(5,677)	(2,440)
<b>Total cash used in investing activities</b>	<b>(5,677)</b>	<b>(2,440)</b>
<b>Financing activities</b>		
Proceeds from loan	193,634	169,575
Repayment of loan	(19,767)	(58,238)
Due to/from associate	118	(1,028)
Proceeds from share issuance	450,000	1,520,375
Share issuance costs	(1,125)	(126,433)
<b>Total cash provided by financing activities</b>	<b>622,860</b>	<b>1,504,251</b>
<b>Change in cash</b>	<b>(187,596)</b>	<b>688,288</b>
Effect of exchange rate changes on balance of cash held in foreign currencies	(140)	(6,426)
<b>Cash, beginning of the period</b>	<b>269,562</b>	<b>133,408</b>
<b>Cash, end of the period</b>	<b>81,826</b>	<b>815,270</b>

Supplement disclosure with respect to cash flows (Note 18)

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 1. NATURE OF OPERATIONS

Glorious Creation Limited (the “Company”) was incorporated under the Canada Business Corporations Act on December 24, 2015. Through its subsidiaries in Vietnam, Hong Kong and China, the Company provides necessary operating licenses and operational infrastructure to facilitate intra-ASEAN trade and trade between Vietnam and China. The Company is now focusing on building an e-commerce platform based on block-chain technology to facility its members’ trading and settling between China, Vietnam and other south east Asian countries.

On September 5, 2017, the Company completed its initial public offering (“IPO”) and trading of the Company’s common shares commenced on the Canadian Securities Exchange (“CSE”).

The Company’s head office and principal address is 405 - 1328 West Pender Street, Vancouver, BC, Canada and the registered and records office of the Company is located at Suite 1100 – 736 Granville Street, Vancouver, BC, Canada.

### 2. BASIS OF PREPARATION AND GOING CONCERN

#### *Statement of compliance*

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with IAS 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted and therefore, these unaudited condensed interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2018.

#### *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### *Functional and presentation currency*

The Company’s presentation currency is the Canadian dollar (“\$”). The functional currency of the Company is the Canadian dollar. The functional currency of Glorious HK is the Hong Kong Dollar (“HKD”), for Glorious SZ Chinese Yuan (“RMB”), and for its Vietnamese subsidiaries, the Vietnamese Dong (“VND”). These consolidated financial statements have been translated to the presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items be translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). All exchange differences are reported as a separate component of other comprehensive income (loss).

#### *Consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.



# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 2. BASIS OF PREPARATION AND GOING CONCERN (continued)

#### *Consolidation (continued)*

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but is able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

Details of the Company's subsidiaries are as follows:

Name	Date of incorporation or acquisition	Location	Principal activities	Ownership	
				September 30, 2018	December 31, 2017
Glorious IT Creation Limited ("Glorious HK")	July 19, 2011	Hong Kong, China	Asian head office	100%	100%
Shenzhen Qianhai Glorious Creation Co., Ltd. ("Glorious SZ")	January 3, 2017	Shenzhen, China	Virtual cross-border business platform	100%	100%
Shenzhen Glorious Internet Co., Ltd. ("Glorious Internet")	October 23, 2017	Shenzhen, China	IT development	100%	100%
Glorious (Vietnam) Company Limited ("Glorious Vietnam")	January 18, 2012	Ho Chi Minh City, Vietnam	Internet technology services	86%	86%
Glorious (Vietnam) Trading Company Limited (formerly Khai Tam Tri Limited) ("KTT")	December 7, 2017	Ho Chi Minh City, Vietnam	Retail	86%	86%
VnTrans Limited ("VnTrans")	September 29, 2014	Ho Chi Minh City, Vietnam	Transportation and logistic management	72%	72%

#### *Going concern*

These financial statements have been prepared in accordance with IFRS on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Company currently has generated revenue from hardware and software sales, installation and implementation services, staff training, and monthly access and maintenance services. However, it has only a few customers and has not developed a mature line of business. As of June 30, 2018, the Company has an accumulated deficit of \$2,875,044. Contributing uncertainties to the Company being a going concern include, but are not limited to, the Company's current working capital which limits the Company's ability to advertise their product offerings. Additional financing will be required in order to expand the Company's operations. A portion of the Company's operating assets and sales originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may adversely affect the Company's business, financial condition and results of operations and may result in the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 2. BASIS OF PREPARATION AND GOING CONCERN (continued)

#### *Going concern* (continued)

These financial statements do not indicate any adjustments that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities other than in the normal course of business.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

#### (i) Going Concern evaluation

As discussed in note 2, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period.

#### (ii) Functional currencies

Management is required to assess the functional currency of each entity of the Company. In concluding on the functional currencies of the parent and its subsidiaries, management considered the currency that mainly influences the sale prices of goods and services and the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

#### (iii) Business acquisition

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of KTT was determined to constitute an acquisition of business (note 5).

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

#### (i) Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### (ii) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

#### (iii) Valuation and useful lives of capital assets

Changes in technology or the intended use of these assets as well as changes in economic or industry factors may create indicators of impairment or cause the estimated useful lives of these assets to change. Where impairment is indicated, the Company estimates the recoverable amount of the assets and charges the difference between the recoverable amount and the carrying amount, if any, to impairment expense. The estimates of the useful lives of property and equipment are reviewed on an annual basis. Depreciation or amortization is adjusted on a prospective basis, if and when required.

#### (iv) Revenue recognition

The Company has service agreements with regards to some of its sales which requires management to make judgements regarding the timing and allocation of revenue. Specifically, revenue recognized on these contracts is dependent on the estimated percentage of completion at a point in time. The estimated work remaining to complete a project is judgemental in nature and are estimated by experienced staff using their knowledge of the time necessary to complete the work.

#### (v) Share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of the subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.

### 4. SIGNIFICANT ACCOUNTING POLICIES

These Condensed Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2017.

#### *Adoption of accounting policies*

##### *i) IFRS 15 Revenue from Contracts with Clients*

The Company has adopted IFRS 15 Revenue from Contracts with Clients. The standard establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. The adoption of IFRS 15 has no significant impact on the Company's consolidated financial statements.

According to IFRS 15, revenue is recognized when a client obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a client and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a client.

The Corporation has the following services from which it generates revenue:

The Company provides its customers hardware and software sales, installation and implementation services, staff training, and monthly access and maintenance services.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from the sale of hardware and software in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns. Revenue from the sale of hardware and software is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the control has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the provision of services is recognized when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred for the transaction and costs to complete the transaction can be measured reliably.

Monthly access and maintenance revenue is recognized over the term of the related agreement on a straight-line basis.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate unit of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

#### *ii) IFRS 9 Financial Instruments*

The Company adopted IFRS 9, Financial Instruments ("IFRS 9"), on January 1, 2018.

IFRS 9, Financial instruments, replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of an entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The adoption of this new standard had no significant impact on the Company's interim consolidated financial statements and the new accounting policy was defined as follows:

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial assets*

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost—a financial asset is measured at amortized cost if both of the following conditions are met:
  - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- c) Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company financial assets comprise of cash and receivables, which are all at amortized cost.

#### *Financial liabilities*

The Company's liabilities include accounts payable and accrued liabilities, due to related parties, due to association and short-term loans which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

#### *Impairment*

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### *Future changes in accounting policies*

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2018 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

#### *(a) IFRS 16, Leases*

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 5. BUSINESS COMBINATION

On November 30, 2017, Glorious (Vietnam) Company Limited (“Glorious Vietnam”) acquired 100% of Khai Tam Tri Limited (“KTT”) by paying VND120,000,000 (\$6,600). In April 2018, Glorious Vietnam paid additional VND80,000,000(\$4,480) towards the acquisition which is recorded as legal fee.

The purchase price has been allocated as follows:

	\$
Cash assumed	829
Receivables	12,757
Inventory	35,612
Capital assets	9,394
Amounts payable to Glorious Vietnam	(91,792)
Intangible assets	<u>26,600</u>
	<u>6,600</u>

Intangible assets were attributed to the business licenses that KTT holds. As at December 31, 2017, the Company determined that the intangible assets are impaired and recorded an impairment charge totalling \$26,600.

### 6. AMOUNTS RECEIVABLE

The items comprising the Company’s amounts receivable are summarized below:

	September 30, 2018	December 31, 2017
	\$	\$
VAT receivable	62,785	43,338
GST receivable	1,548	15,757
Service income receivable	1,827	4,364
Total amounts receivable	<u>66,160</u>	<u>63,459</u>

The Company’s amounts receivable arise from two main sources: value-added taxes (“VAT”) paid on purchases in Vietnam and Goods and Services Tax (“GST”) paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns.

### 7. PREPAID EXPENSES

The items comprising the Company’s prepaid expenses are summarized below:

	September 30, 2018	December 31, 2017
	\$	\$
Rent deposit and prepaid rent	61,174	54,802
Prepaid directors’ and officers’ insurance	5,000	12,500
Other prepaids	11,306	1,533
Total prepaid expenses	<u>77,480</u>	<u>68,835</u>

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 8. INVENTORY

Inventory was comprised of the following:

	September 30, 2018	December 31, 2017
	\$	\$
Agricultural products and food	85,529	2,608
Paint	5,514	5,514
Electronic products	40,175	36,022
Total inventory	131,218	44,144

### 9. LOANS

#### Shareholders' loans

In December 2015, the Company borrowed HK\$400,000 from four shareholders. The loans were used to purchase energy saving equipment which was sold in 2016. The loan was non-secured, bore interest at a rate of 8% per annum and had a two year term. The loan principal and interest were fully repaid in October 2017.

From March to July 2017, the Company received loans of HK\$990,000 from certain shareholders. The loan is non-secured, bears interest at 8% per annum, and has no fixed term of repayment. In September and October 2017, the Company fully repaid HK\$990,000 of principal and HK\$31,675 (\$5,068) of interest.

In August 2018, the Company received loans of HK\$550,000 from certain shareholders. The loan is non-secured, bears interest at 8% per annum, and has no fixed term of repayment. As of September 30, 2018, the loan balance was HK\$550,000 (\$90,585).

#### CEO loan

In August 2018, the Company received HK\$150,000 from the CEO. As of September 30, 2018, the loan balance was HK\$150,000 (\$24,705).

#### Bank loans

The Company entered into a loan agreement with HSBC on October 30, 2017. According to the loan agreement, the Company received a loan of HK\$110,000 from HSBC for a period of 12 months. The loan bears interest of 9.60% per annum and is payable at a fixed amount of HK\$10,047 per month. As of September 30, 2018, the loan balance was HK\$5,995 (\$987) (December 31, 2017 – HK\$92,487 (\$14,852)).

The Company entered into a loan agreement with HSBC on June 4, 2018. According to the loan agreement, the Company received a loan of HK\$470,000 from HSBC for a period of 36 months. The loan bears interest of 9.94% per annum and is payable at a fixed amount of HK\$14,607 per month. As of September 30, 2018, the loan balance was HK\$437,053 (\$71,983).

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 9. LOANS (continued)

The Company's significant financing transactions are as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, beginning of the period	14,852	69,280
Advances	193,635	177,538
Repayments	(19,767)	(232,699)
Loan charges and interest	4,783	5,529
Foreign exchange	(5,243)	(4,796)
Balance, end of the period	188,260	14,852

### 10. CAPITAL ASSETS

	Computer equipment \$	Office furniture and fixtures \$	Computer software \$	Leasehold improvement \$	Total \$
<b>Cost</b>					
Balance, December 31, 2016	38,283	1,698	3,464	12,701	56,146
Additions	58,128	352	-	103,773	162,253
Disposals	-	-	-	-	-
Balance, December 31, 2017	96,411	2,050	3,464	116,474	218,399
Additions	2,633	2,321	722	-	5,676
Disposals	-	-	-	-	-
Balance, September 30, 2018	99,044	4,371	4,186	116,474	224,075
<b>Accumulated amortization</b>					
Balance, December 31, 2016	15,508	1,257	3,144	4,083	23,992
Additions	8,604	426	320	8,374	17,724
Disposals	-	-	-	-	-
Balance, December 31, 2017	24,112	1,683	3,464	12,457	41,716
Additions	14,132	704	271	46,541	61,648
Disposals	-	-	-	-	-
Balance, September 30, 2018	38,244	2,387	3,735	58,997	103,363
<b>Carrying amounts</b>					
At December 31, 2017	72,299	367	-	104,013	176,679
At September 30, 2018	60,800	1,984	451	57,477	120,712



# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 11. SHAREHOLDERS' EQUITY

#### *Share capital*

Authorized:

Unlimited common shares without par value

As of September 30, 2018, the Company has 39,222,001 (December 31, 2017 – 38,222,001) common shares outstanding, of which 8,468,246 (December 31, 2017 – 12,702,317) common shares are held in escrow.

During the nine months ended September 30, 2018, the Company

1) closed a non-brokered private placement by issuing 1,000,000 units at a price of \$0.45 per unit for total proceeds of \$450,000. Each unit consists of one common share and one share purchase warrant. Each warrant can be exercised into one common share of the Company at the price of \$0.75 per share for a period of two years. In connection with the offering, the Company will pay total finders fees of \$1,125.

During the year ended December 31, 2017, the Company:

1) issued 1,729,586 shares at \$0.06 per share for total proceeds of \$103,775;

2) On August 31, 2017, the Company completed its initial Public Offering ("IPO") and issued 4,722,000 common shares at a price of \$0.30 per share for total proceeds of \$1,416,600. Pursuant to an Agency Agreement between the Company and Mackie Research Capital Corp. (the "Agent"), the Agent received a cash commission of \$62,844 and a corporate finance fee of \$35,000. The Company also incurred legal and other expenses of \$30,688 in connection with the IPO. Effective September 5, 2017, the date that the Company's common shares are listed for trading on the CSE, the Company issued Agent's warrants to acquire 209,480 common shares at \$0.30 per share exercisable up until September 5, 2019. The fair value (\$37,436) of the Agent's warrants was included in share issue costs.

The fair value of the Agent's warrants has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

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Risk free interest rate	1.24%
Annual dividends	-
Expected stock price volatility	125%
Expected life	2 years

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#### *Stock options*

In January 2017, the Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 11. SHAREHOLDERS' EQUITY (continued)

#### *Stock options (continued)*

At the closing of the IPO, the Company granted 3,020,000 stock options to officers, directors and employees at a price of \$0.30 per share expiring five years from the date the Company was listed on the CSE. The options vest at 10% at grant, and 30% at each anniversary for 3 years. The fair value of the stock options granted was \$764,530 (\$0.25 per option). During the year ended December 31, 2017, \$216,977 was amortized into the statement of loss.

On October 6, 2017, the Company granted 300,000 stock options to a director and a consultant of the Company. The options are exercisable for a period of five years at a price of \$0.36 per share. The options vest at 10% at grant, and 30% at each anniversary for 3 years. The fair value of the stock options granted was \$91,229 (\$0.30 per option). During the year ended December 31, 2017, \$21,081 was amortized into the statement of loss.

The fair value of the stock options granted was determined using the following assumptions:

Weighted average assumptions	September 30, 2018	December 31, 2017
Risk free interest rate	-	1.55%
Volatility	-	125%
Expected life of options	-	5 years
Dividend rate	-	0%

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016	-	\$ -
Granted	3,320,000	\$ 0.31
Balance, December 31, 2017 and June 30, 2018	3,320,000	\$ 0.31
Exercisable, at September 30, 2018	332,000	\$ 0.31

As at September 30, 2018, the following incentive stock options are outstanding:

Number of Options	Exercise Price	Expiry Date
3,020,000	\$ 0.30	September 5, 2022
300,000	\$ 0.36	October 5, 2022

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 11. SHAREHOLDERS' EQUITY (continued)

#### Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	-	\$ -
Issued	209,480	0.30
Balance, at December 31, 2017	209,480	\$ 0.30
Issued	1,000,000	0.75
Balance, at September 30, 2018	1,209,480	\$ 0.67
Exercisable, at September 30, 2018	1,209,480	\$ 0.67

As at September 30, 2018, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
209,480	\$ 0.30	September 5, 2019
1,000,000	\$ 0.75	March 28, 2020

### 12. RELATED PARTY TRANSACTIONS

- a) During the nine months ended September 30, 2018, the Company paid or accrued fees of \$83,909 (2017 - \$54,015) to the CEO of the Company. As of September 30, 2018, \$4,410 (December 31, 2017 - \$5,756) was owed to the CEO.

In August 2018, the Company received HK\$150,000 from the CEO. As of September 30, 2018, the loan balance was HK\$150,000 (\$24,705).

- b) During the nine months ended September 30, 2018, the Company paid or accrued fees of \$72,000 (2017 - \$44,847) to a company controlled by the CFO of the Company. As of September 30, 2018, \$24,000 (December 31, 2017 - \$12,373) was owed to the company controlled by the CFO.
- c) During the nine months ended September 30, 2018, the Company paid or accrued directors' fees of \$27,000 (2017 - \$3,000) to three directors. As of September 30, 2018, \$4,150 (December 31, 2017 - \$3,100) was owed to the directors.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 13. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders' equity (deficiency). The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern, ensure sufficient capital and liquidity to complete its technology developments, establish commercial markets and pursue its growth strategy.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize the development efforts, the Company does not pay out dividends during its development stage.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

### 14. FAIR VALUE AND RISK MANAGEMENT

The Company has measured its accounts payable and accrued liabilities, due to related parties, due to association and short-term loans at amortized cost. The Company measure its financial assets, receivables, also at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments.

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. As of September 30, 2018, the Company's maximum exposure to credit risk is limited to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions in Hong Kong and Canada. The Company wires funds to Vietnamese subsidiaries according to a detailed budget and maintains a low level of cash balances in its Vietnamese banks.

The Company is exposed to credit risk on trade receivables. The Company regularly reviews the collectability of its trade and other receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible amounts. As of September 30, 2018 and December 31, 2017, the Company has minimal trade receivables.

#### *Currency risk*

The Company has raised funds in Canadian dollars and Hong Kong dollars. A portion of the Company's expenses are incurred in Hong Kong dollars, Chinese RMB and the Vietnamese Dong and financial instrument balances are held in these currencies. A change in the currency exchange rates between Canadian dollars, Hong Kong dollars, Chinese RMB and Vietnamese Dong could have a negative effect on the Company's results of operations, financial position or cash flows. However, as the Company does not maintain significant cash balances in foreign currencies and settles any transactions in foreign currencies quickly, its exposure to currency risk is considered insignificant as at September 30, 2018 and December 31, 2017. As such, the Company has not hedged its exposure to currency fluctuations.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2018, the Company had a cash balance of \$81,826 to settle current liabilities of \$443,133. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs further funding to meet its short-term and long-term cash requirements.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 14. FAIR VALUE AND RISK MANAGEMENT (continued)

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash and loans, so its exposure to interest rate risks is insignificant. Loans bear a fixed interest rate.

### 15. NON-CONTROLLING INTEREST

As of September 30, 2018 and December 31, 2017, non-controlling interest includes a 14% interest in Glorious Vietnam and its subsidiary KTT, and a 28% interest in VnTrans.

A percentage of profit on each component of other comprehensive income is attributed to the owners of the non-controlling interests.

	September 30, 2018	December 31, 2017
	\$	\$
Non-controlling interest, beginning of period	(91,767)	(43,909)
Share of loss – Glorious Vietnam and KTT	(53,912)	(42,493)
Share of loss – VnTrans	(1,971)	(5,365)
Non-controlling interest, end of period	(147,650)	(91,767)

The table below disclose selected financial information of Glorious Vietnam and its subsidiary KTT on a 100% basis:

	September 30, 2018	December 31, 2017
	\$	\$
Non-controlling percentage	14%	14%
Total assets	275,883	308,147
Total liabilities	(1,228,892)	(920,570)
Net assets (liabilities)	(953,009)	(612,423)

#### **Summarized income statement**

Loss and comprehensive loss	(385,083)	(313,071)
Loss allocated to non-controlling interest	(53,912)	(42,493)

#### **Summarized cash flow**

Cash used in operating activities	(361,547)	(350,682)
Cash used in investing activities	(4,047)	(124,665)
Cash from financing activities	349,860	477,646

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 15. NON-CONTROLLING INTEREST (cont'd...)

The table below disclose selected financial information of VnTrans on a 100% basis:

	September 30, 2018	December 31, 2017
	\$	\$
Non-controlling percentage	28%	28%
Total assets	14,333	20,639
Total liabilities	(51,614)	(51,005)
Net assets (liabilities)	(37,281)	(30,366)
<b>Summarized income statement</b>		
Loss and comprehensive loss	(7,041)	(17,675)
Loss allocated to non-controlling interest	(1,971)	(5,365)
<b>Summarized cash flow</b>		
Cash used in operating activities	(672)	(14,605)
Cash used in investing activities	-	-
Cash from financing activities	(118)	15,358

### 16. INVESTMENT IN ASSOCIATE

The Company accounts for its investment in Transinall Limited. ("Transinall") using the equity method of accounting. As at September 30, 2018 and December 31, 2017, the Company holds a 16.1% interest in Transinall.

Investment in associate is as follows:

	September 30, 2018	December 31, 2017
	\$	\$
Balance, beginning of the period	15,281	15,592
Equity loss for the period	(231)	(311)
Balance, end of the period	15,050	15,281

The table below discloses selected financial information of Transinall on a 100% basis:

	September 30, 2018	December 31, 2017
	\$	\$
Loss for the period	(1,435)	(1,932)
Comprehensive income (loss) for the period	7,004	(8,956)
Current assets	119,290	111,185
Non-current assets	2,576	10,634
Total assets	123,866	121,819
Current and total liabilities	(8,325)	(9,634)
Total shareholders' equity	113,631	112,185

As of September 30, 2018, Transinall advanced cash of \$111,876 (December 31, 2017 - \$109,941) to the Company and its subsidiary VnTrans. The advances bear no interest, are unsecured and have no fixed terms of repayment.

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

### 17. SEGMENTED INFORMATION

The Company has two reportable segments: the international trade agency and consulting business and the virtual cross-border business platform.

#### *International trade agency and consulting*

The Company provides IT consulting, internet marketing and sales support, logistics and administrative services, and access to various government licenses essential for doing business in Vietnam. This segment is operated by Glorious HK and its Vietnamese subsidiaries Glorious Vietnam and VnTrans. Prior to January 1, 2017, this segment was divided into two segments, IT consulting and internet marketing business and the transportation and logistic business.

#### *Virtual cross border (“VCB”) business platform*

The Company is launching an e-commerce platform that provides all the IT services and logistics management for the execution of commerce across national borders and multiple currencies. The VCB business platform also provides a business to business (“B2B”) online marketplace for linking small and medium size enterprises (“SMEs”) in southern China and southern Vietnam. This segment is operated by Glorious HK and its Chinese subsidiary Glorious SZ.

Accounting policies relating to each segment are identical to those used for the purposes of the consolidated financial statements. Inter-segment sales are made in the normal course of business and have been recorded at the exchange amount, which approximate prevailing prices in the markets serviced.

The table below provides information regarding the Company’s identified segments for the nine months ended September 30, 2018 and 2017:

	International trade agency and consulting	VCB business platform	Totals
Nine months ended September 30, 2018			
Revenue	\$ 15,910	\$ 12,213	\$ 28,123
Operating loss	\$ 956,258	\$ 163,075	\$ 1,119,333
Capital assets	\$ 103,496	\$ 17,217	\$ 120,713

	International trade agency and consulting	VCB business platform	Totals
Nine months ended September 30, 2017			
Revenue	\$ 30,586	\$ 2,160	\$ 32,746
Operating loss	\$ 648,842	\$ 105,074	\$ 753,916
Capital assets	\$ 22,866	\$ 1,936	\$ 24,802

# Glorious Creation Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Expressed in Canadian dollars

Unaudited

For the nine months ended September 30, 2018

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### 17. SEGMENTED INFORMATION (continued)

The table below provides geographic information of the Company for the six months ended June 30, 2018 and 2017:

<b>Nine months ended September 30, 2018</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 28,014	\$ 109	\$ 28,123
Operating loss	\$ 514,922	\$ 145,415	\$ 392,125	\$ 66,871	\$ 1,119,333
Capital assets	\$ -	\$ -	\$ 103,496	\$ 17,217	\$ 120,713

<b>Nine months ended September 30, 2017</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 30,586	\$ 2,160	\$ 32,746
Operating loss	\$ 409,656	\$ 125,183	\$ 188,544	\$ 30,533	\$ 753,916
Capital assets	\$ -	\$ -	\$ 22,866	\$ 1,936	\$ 24,802

### 18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing and financing transactions during the nine months ended September 30, 2018 and 2017.