

# **GLORIOUS CREATION LIMITED**

## **Consolidated Financial Statements** (Expressed in Canadian dollars)

**For the years ended December 31, 2018 and 2017**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Glorious Creation Limited

### *Opinion*

We have audited the accompanying consolidated financial statements of Glorious Creation Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred losses of \$1,565,658 during the year ended December 31, 2018, has an accumulated deficit of \$3,654,821 and working capital deficiency of \$481,108. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

May 24, 2019

**Glorious Creation Limited**  
**Consolidated Statements of Financial Position**  
Expressed in Canadian dollars  
**As at December 31,**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	34,820	269,562
Amounts receivable (Note 6)	80,816	63,459
Inventory (Note 8)	15,895	44,144
Prepaid expenses (Note 7)	59,927	68,835
<b>Total current assets</b>	<b>191,458</b>	<b>446,000</b>
Investment in associate (Note 16)	15,029	15,281
Capital assets (Note 10)	112,405	176,679
<b>Total assets</b>	<b>318,892</b>	<b>637,960</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	187,491	103,798
Due to related parties (Note 12)	72,136	21,229
Due to associate (Note 16)	123,974	109,941
Loans (Note 9)	288,965	14,852
<b>Total current liabilities</b>	<b>672,566</b>	<b>249,820</b>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 11)	2,831,023	2,382,148
Reserves (Note 11)	663,909	276,505
Accumulated other comprehensive loss	(21,660)	(9,225)
Deficit	(3,654,821)	(2,169,521)
<b>Equity (deficiency) attributable to shareholders</b>	<b>(181,549)</b>	<b>479,907</b>
Non-controlling interest (Note 15)	(172,125)	(91,767)
<b>Total shareholders' equity (deficiency)</b>	<b>(353,674)</b>	<b>388,140</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>318,892</b>	<b>637,960</b>

**Nature of operations** (Note 1)

**Basis of preparation and going concern** (Note 2)

**Events subsequent to the reporting period** (Note 20)

**On behalf of the Board:**

<i>"Ian Mallman"</i>	Director
<i>"Kong Yuk Kan"</i>	Director

# Glorious Creation Limited

## Consolidated Statements of Loss

Expressed in Canadian dollars

For the years ended December 31,

	2018	2017
	\$	\$
<b>Revenue</b>		
Sales of goods	50,936	9,421
Costs of goods sold	(154,621)	(13,475)
Service income	18,568	23,805
Service costs	(16,748)	(24,186)
Selling expenses	(132,911)	(26,037)
<b>Gross profit (loss)</b>	<b>(234,776)</b>	<b>(30,472)</b>
<b>General and administrative expenses</b>		
Amortization (Note 10)	81,950	17,724
Accounting and auditing	61,945	126,249
Bad debts	-	27,143
Consulting	17,738	-
Director fees	33,000	12,000
Legal	52,344	178,011
Loan interest	6,700	6,045
Management fees (Note 12)	198,437	140,090
Office and miscellaneous	123,645	79,074
Rent	99,683	72,642
Registration and filing	11,078	26,205
Salaries and benefits	202,400	148,549
Share-based compensation (Notes 11 and 12)	387,404	238,058
Transfer agent	7,431	7,748
Travel and related	41,728	63,126
Impairment of intangible assets (Note 5)	4,480	26,600
<b>Total general and administrative expenses</b>	<b>(1,329,963)</b>	<b>(1,169,264)</b>
Loss on sales of capital assets	(667)	-
Equity loss from associate (Note 16)	(252)	(311)
<b>Net loss for the year</b>	<b>(1,565,658)</b>	<b>(1,200,047)</b>
<b>Net loss attributable to</b>		
Shareholders of the Company	(1,485,300)	(1,152,189)
Non-controlling interest (Note 15)	(80,358)	(47,858)
<b>Weighted average number of common shares outstanding</b>	<b>39,035,700</b>	<b>34,877,251</b>
<b>Basic and diluted loss per common share</b>	<b>(0.04)</b>	<b>(0.03)</b>

# Glorious Creation Limited

## Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

For the years ended December 31,

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Net loss for the year</b>	(1,565,658)	(1,200,047)
<b>Other comprehensive income (loss)</b>		
Exchange difference on translating foreign operations	(12,435)	11,171
<b>Comprehensive loss</b>	(1,578,093)	(1,188,876)
<b>Comprehensive loss attributable to</b>		
Shareholders of the Company	(1,497,735)	(1,141,018)
Non-controlling interest	(80,358)	(47,858)

# Glorious Creation Limited

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

Expressed in Canadian dollars

	Share Capital						
	Number of common shares	Amount	Reserves	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>-</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	-	(166,979)	38,447	-	-	-	(128,532)
Share-based compensation	-	-	238,058	-	-	-	238,058
Loss for the year	-	-	-	-	(1,152,189)	(47,858)	(1,200,047)
Foreign currency translation difference	-	-	-	11,171	-	-	11,171
<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	-	-	387,404	-	-	-	387,404
Loss for the year	-	-	-	-	(1,485,300)	(80,358)	(1,565,658)
Foreign currency translation difference	-	-	-	(12,435)	-	-	(12,435)
<b>Balance, December 31, 2018</b>	<b>39,222,001</b>	<b>2,831,023</b>	<b>663,909</b>	<b>(21,660)</b>	<b>(3,654,821)</b>	<b>(172,125)</b>	<b>(353,674)</b>



# Glorious Creation Limited

## Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the years ended December 31,

	2018	2017
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(1,565,658)	(1,200,047)
Non-cash items:		
Amortization	81,950	17,724
Equity loss from associate	252	311
Share-based compensation	387,404	238,058
Bad debts	-	27,143
Impairment of intangible assets	4,480	26,600
Interest expense	6,700	-
Loss on sale of capital assets	667	-
Changes in non-cash working capital items:		
Amounts receivable	(17,357)	4,909
Prepaid expenses	(3,592)	(57,290)
Accounts payable and accrued liabilities	96,193	(58,820)
Inventories	28,249	(40,434)
Due to/from related parties	50,907	(5,047)
<b>Total cash used in operating activities</b>	<b>(929,805)</b>	<b>(1,046,893)</b>
<b>Investing activities</b>		
Purchase of capital assets	(18,514)	(152,863)
Proceeds from sales of capital assets	171	-
Cash assumed upon the acquisition of KTT	-	829
Cash paid to acquire KTT	(4,480)	(6,600)
<b>Total cash used in investing activities</b>	<b>(22,823)</b>	<b>(158,634)</b>
<b>Financing activities</b>		
Proceeds from loan	286,661	177,538
Advances from a related party	-	72,290
Repayment of advances from a related party	-	(72,290)
Repayment of loan	(28,814)	(227,170)
Interest payment	(4,692)	-
Due to/from associate	4,971	(968)
Proceeds from share issuance, net of issue costs	448,875	1,391,844
<b>Total cash provided by financing activities</b>	<b>707,001</b>	<b>1,341,244</b>
<b>Change in cash</b>	<b>(245,626)</b>	<b>135,717</b>
Effect of exchange rate changes on balance of cash held in foreign currencies	10,884	437
<b>Cash, beginning of the year</b>	<b>269,562</b>	<b>133,408</b>
<b>Cash, end of the year</b>	<b>34,820</b>	<b>269,562</b>

Supplement disclosure with respect to cash flows (Note 18)

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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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 to facilitate 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2019.

#### *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at 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 Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

### 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	
				December 31, 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%
Glorious (Vietnam) Food and Beverage Company Limited ("F&B")	July 6, 2018	Ho Chi Minh City, Vietnam	Food and beverage import and export, wholesale and retail	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. During the year ended December 31, 2018, the Company incurred losses of \$1,565,658. As of December 31, 2018, the Company has an accumulated deficit of \$3,654,821 and working capital deficiency of \$481,108. 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

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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

#### *Going concern* (continued)

Company to continue as a going concern. 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 a business (note 5).

#### (iv) Investment in associate

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgement to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. There would be different accounting results should these judgments change.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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

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.

(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 subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's net loss and share-based payment reserve.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES

#### *Business combination*

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company measures goodwill as the fair value for the consideration transferred including the recognized amount of any non-controlling interest in the acquiree less the net recognized amount of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized immediately in income as a gain from a bargain purchase. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Any contingent consideration and related indemnification rights are recognized at fair value at the acquisition date. Subsequent changes in fair value of contingent consideration and related indemnification rights classified as a financial liability and financial asset are recognized in income. Restructuring, transaction costs and other direct costs of a business combination are not considered part of the business acquisition transaction. Instead, such costs are expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

#### *Foreign currency translation*

##### *Transactions and balances*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

#### *Non-controlling Interests*

Non-controlling interests consist of subsidiaries that are not wholly owned by the Company, and the portions not controlled by the Company are presented as non-controlling interests in the Company's consolidated financial statements. The Company attributes the profit or loss and components of other comprehensive income, if any, to the Company and to the non-controlling interests. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

#### *Investment in associate*

The Company accounts for its investment in associate using the equity method. Associates are entities in which the Company has significant influence, but not control, over the financial and operating policies. The Company considers quantitative factors in determining whether significant influence exists when holdings of voting power is less than 20%. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

#### *Inventories*

Inventories, comprising of goods for sale, mainly included electronic devices and agricultural and industrial products. Inventory is stated at the lower of cost and net realizable value. Costs are determined on a first-in, first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### *Revenue recognition*

The Company has adopted IFRS 15 Revenue from Contracts with customers. 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 customer 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 customer.

The Company 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 Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Revenue recognition (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.

#### *Warranty costs*

Warranty costs that are not otherwise covered by suppliers are accrued upon the recognition of the related revenue, based on the Company's best estimate, with reference to past experience.

The accounting for warranties requires management to make assumptions and apply judgments when estimating product failure rates and expected costs. As of December 31, 2018 and 2017, no warranty liabilities are accrued.

#### *Capital assets*

##### *Recognition and Measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### *Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.



# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Capital assets (continued)*

##### *Major Maintenance and Repairs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### *Gains and Losses*

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, that are recognized net within other income in profit or loss.

##### *Amortization*

Amortization is recognized in profit or loss and property and equipment are amortized using the straight-line method over their estimated useful lives:

Computer equipment	24 - 72 months
Computer software	12 - 36 months
Office furniture and fixtures	12 - 24 months
Leasehold improvements	23 - 60 months

#### *Impairment of Non-financial Assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, 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 the purpose 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 assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU 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.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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 if there has been a change in the estimates used to determine the recoverable amount. 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. A reversal of an impairment loss is recognized immediately in profit or loss.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Income taxes*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, 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 in respect of 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 for temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to the 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 current tax liabilities and assets, 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 the future taxable profits will be available against which they 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.

#### *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### *Share-based payment transactions*

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Share-based payment transactions (continued)*

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

#### *Loss per share*

Basic loss per share is calculated by dividing the loss for the year attributable to the ordinary shareholders by the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. In years in which a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

#### *Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### *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 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.

#### *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:

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Financial instruments (continued)*

- 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's financial assets are comprised of cash and receivables, which are classified as and measured at amortized cost.

#### *Financial liabilities*

The Company's liabilities include accounts payable and accrued liabilities, due to related parties, due to associate and 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 investments in 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 December 31, 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 Consolidated Financial Statements

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### 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). 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. In April 2018, Glorious Vietnam paid additional VND80,000,000 (\$4,480) towards the acquisition which was recorded as intangible assets, and then impaired as of December 31, 2018.

### 6. AMOUNTS RECEIVABLE

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

	December 31, 2018	December 31, 2017
	\$	\$
VAT receivable	77,736	43,338
GST receivable	3,080	15,757
Service income receivable	-	4,364
Total amounts receivable	<u>80,816</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:

	December 31, 2018	December 31, 2017
	\$	\$
Rent deposit and prepaid rent	56,215	54,802
Prepaid directors’ and officers’ insurance	-	12,500
Other prepaids	3,712	1,533
Total prepaid expenses	<u>59,927</u>	<u>68,835</u>

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 8. INVENTORY

Inventory was comprised of the following:

	December 31, 2018	December 31, 2017
	\$	\$
Agricultural products and food	4,822	2,608
Paint	-	5,514
Electronic products	11,073	36,022
Total inventory	15,895	44,144

During the year ended December 31, 2018, the Company wrote off inventory of \$35,759 (2018 - \$Nil) which is recorded in the cost of sales.

### 9. LOANS

#### Shareholders' loans

From March to July 2017, the Company received loans of HK\$990,000 from certain shareholders. The loans are non-secured, bear interest at 8% per annum, and have 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.

During the year ended December 31, 2018, the Company received loans of HK\$1,070,000 from certain shareholders. The loans are non-secured, non-interest bearing, and have no fixed term of repayment. As of December 31, 2018, the loan balance was HK\$1,070,000 (\$186,180).

#### CEO loan

During the year ended December 31, 2018, the Company received HK\$190,000 from the CEO. The loan is non-secured, non interest-bearing and due on demand. As of December 31, 2018, the loan balance was HK\$190,000 (\$33,060).

#### 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 at 9.60% per annum and is payable at a fixed amount of HK\$10,047 per month. As of December 31, 2018, the loan balance was HK\$ Nil (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 at 3.96% per annum and is payable at a fixed amount of HK\$14,607 per month. As of December 31, 2018, the loan balance was HK\$400,716 (\$69,725).

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

### 9. LOANS (continued)

The Company's significant financing transactions are as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Balance, beginning of the year	14,852	69,280
Advances	286,661	177,538
Repayments	(33,506)	(232,699)
Loan charges and interest	6,700	5,529
Foreign exchange	14,258	(4,796)
Balance, end of the year	288,965	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	116,470	218,395
Additions	2,633	2,321	722	12,838	18,514
Disposals	-	(1,005)	-	-	(1,005)
Balance, December 31, 2018	99,044	3,366	4,186	129,308	235,904
<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	18,554	976	361	62,059	81,950
Disposals	-	(167)	-	-	(167)
Balance, December 31, 2018	42,666	2,492	3,825	74,516	123,499
<b>Carrying amounts</b>					
At December 31, 2017	72,299	367	-	104,013	176,679
At December 31, 2018	56,378	874	361	54,792	112,405

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 11. SHAREHOLDERS' EQUITY

#### *Share capital*

Authorized:

Unlimited common shares without par value

As of December 31, 2018, the Company has 39,222,001 (December 31, 2017 – 38,222,001) common shares outstanding, of which 8,468,249 (December 31, 2017 – 12,702,317) common shares are held in escrow. The shares remained in escrow will be released in four equal tranches between February 28, 2019 to August 31, 2020.

During the year ended December 31, 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 paid 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 (\$38,447) 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 Consolidated Financial Statements

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For the years ended December 31, 2018 and 2017

### 11. SHAREHOLDERS' EQUITY (continued)

#### *Stock options (continued)*

In September 2017, the Company granted 3,020,000 stock options to officers, directors and employees at a price of \$0.30 per share expiring on September 5, 2022. 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, 2018, \$343,759 (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, 2018, \$43,645 (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	December 31, 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 2018	3,320,000	\$ 0.31
Exercisable, at December 31, 2018	1,328,000	\$ 0.31

As at December 31, 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 Consolidated Financial Statements

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For the years ended December 31, 2018 and 2017

### 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 December 31, 2018	1,209,480	\$ 0.67
Exercisable, at December 31, 2018	1,209,480	\$ 0.67

As at December 31, 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 year ended December 31, 2018, the Company paid or accrued management fees of \$96,437 (2017 - \$74,243) to the CEO of the Company. As of December 31, 2018, \$10,336 (December 31, 2017 - \$5,756) was owed to the CEO.

During the year ended December 31, 2018, the Company received a HK\$190,000 loan from the CEO. As of December 31, 2018, the loan balance was HK\$190,000 (\$33,060).

- b) During the year ended December 31, 2018, the Company paid or accrued management fees of \$102,000 (2017 - \$65,847) to a company controlled by the CFO of the Company. As of December 31, 2018, \$55,500 (December 31, 2017 - \$12,373) was owed to the company controlled by the CFO.
- c) During the year ended December 31, 2018, the Company paid or accrued directors' fees of \$33,000 (2017 - \$12,000) to three directors. As of December 31, 2018, \$6,300 (December 31, 2017 - \$3,100) was owed to the directors.
- d) During the year ended December 31, 2018, Nil stock options (2017 - 1,550,000) were granted to directors and officers having a fair value on issuance of \$Nil (2017 - \$402,580), of which \$159,998 (2017 - \$111,047) was amortized in the year ended December 31, 2018.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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### 12. RELATED PARTY TRANSACTIONS (continued)

#### Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than the transactions disclosed above, there was no other compensation paid to key management during the years ended December 31, 2018 and 2017.

### 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 associate 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 December 31, 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 December 31, 2018 and 2017, the Company has minimal trade receivables.

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2018 and 2017

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

#### *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 December 31, 2018 and 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 December 31, 2018, the Company had a cash balance of \$34,820 to settle current liabilities of \$672,566. 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.

#### *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 risk is insignificant. Loans bear a fixed interest rate.

### 15. NON-CONTROLLING INTEREST

As of December 31, 2018 and 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.

	December 31, 2018	December 31, 2017
	\$	\$
Non-controlling interest, beginning of year	(91,767)	(43,909)
Share of loss – Glorious Vietnam and KTT	(78,131)	(42,493)
Share of loss – VnTrans	(2,227)	(5,365)
Non-controlling interest, end of year	(172,125)	(91,767)

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

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

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

	December 31, 2018	December 31, 2017
	\$	\$
Non-controlling percentage	14%	14%
Total assets	232,286	308,147
Total liabilities	(1,445,707)	(920,570)
Net liabilities	(1,213,421)	(612,423)
<b>Summarized income statement</b>		
Loss and comprehensive loss	(558,079)	(313,071)
Loss allocated to non-controlling interest	(78,131)	(42,493)
<b>Summarized cash flow</b>		
Cash used in operating activities	(467,832)	(350,682)
Cash used in investing activities	(5,441)	(124,665)
Cash from financing activities	455,599	477,646

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

	December 31, 2018	December 31, 2017
	\$	\$
Non-controlling percentage	28%	28%
Total assets	15,166	20,639
Total liabilities	(56,120)	(51,005)
Net liabilities	(40,954)	(30,366)
<b>Summarized income statement</b>		
Loss and comprehensive loss	(7,954)	(17,675)
Loss allocated to non-controlling interest	(2,227)	(5,365)
<b>Summarized cash flow</b>		
Cash used in operating activities	(2,168)	(14,605)
Cash used in investing activities	-	-
Cash from financing activities	1,394	15,358

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

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### 16. INVESTMENT IN ASSOCIATE

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

Investment in associate is as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Balance, beginning of the year	15,281	15,592
Equity loss for the year	(252)	(311)
Balance, end of the year	15,029	15,281

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

	December 31, 2018	December 31, 2017
	\$	\$
Loss for the year	(1,568)	(1,932)
Comprehensive income (loss) for the year	7,727	(8,956)
Current assets	125,887	111,185
Non-current assets	2,722	10,634
Total assets	128,609	121,819
Current and total liabilities	(8,700)	(9,634)
Total shareholders' equity	119,909	112,185

As of December 31, 2018, Transinall advanced cash of \$123,974 (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

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For the years ended December 31, 2018 and 2017

### 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.

#### *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 years ended December 31, 2018 and 2017:

	<b>International trade agency and consulting</b>	<b>VCB business platform</b>	<b>Totals</b>
<b>Year ended December 31, 2018</b>			
Revenue	\$ 31,043	\$ 38,461	\$ 69,504
Operating loss	\$ 1,234,775	\$ 330,883	\$ 1,565,658
Capital assets	\$ 84,525	\$ 27,880	\$ 112,405

	<b>International trade agency and consulting</b>	<b>VCB business platform</b>	<b>Totals</b>
<b>Year ended December 31, 2017</b>			
Revenue	\$ 30,789	\$ 2,437	\$ 33,226
Operating loss	\$ 1,034,052	\$ 165,995	\$ 1,200,047
Capital assets	\$ 157,205	\$ 19,474	\$ 176,679

# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

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For the years ended December 31, 2018 and 2017

### 17. SEGMENTED INFORMATION (continued)

The table below provides geographic information of the Company for the years ended December 31, 2018 and 2017:

<b>Year ended December 31, 2018</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 31,043	\$ 38,461	\$ 69,504
Operating loss	\$ 677,080	\$ 170,865	\$ 566,033	\$ 151,680	\$ 1,565,658
Capital assets	\$ -	\$ -	\$ 84,525	\$ 27,880	\$ 112,405

<b>Year ended December 31, 2017</b>	<b>Canada</b>	<b>Hong Kong</b>	<b>Vietnam</b>	<b>China</b>	<b>Totals</b>
Revenue	\$ -	\$ -	\$ 30,789	\$ 2,437	\$ 33,226
Operating loss	\$ 652,650	\$ 172,920	\$ 322,678	\$ 51,799	\$ 1,200,047
Capital assets	\$ -	\$ -	\$ 157,205	\$ 19,474	\$ 176,679

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

There were no significant non-cash investing and financing transactions during the year ended December 31, 2018.

The significant non-cash transactions during the year ended December 31, 2017 included:

a) 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 (\$38,447) of the Agent's warrants was included in share issue costs;

b) \$4,500 of inventory was included in accounts payable and accrued liabilities.



# Glorious Creation Limited

## Notes to the Consolidated Financial Statements

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For the years ended December 31, 2018 and 2017

### 19. INCOME TAXES

A reconciliation of income taxes at statutory rates (2018 – 27%; 2017 – 27%) with the reported taxes is as follows:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Loss for the year	\$ (1,565,658)	\$ (1,200,047)
Expected income tax recovery	(362,000)	(276,000)
Change in statutory, foreign tax, foreign exchange rates and other	(6,000)	(10,000)
Permanent difference	-	62,000
Share issue costs	-	(33,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non capital loss	-	(15,000)
Change in unrecognized deductible temporary differences	263,000	272,000
<b>Total income tax expenses (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's net unrecognized deferred tax assets are as follows:

	December 31, 2018	December 31, 2017
<b>Deferred tax assets</b>		
Property and equipment	\$ -	\$ 28,000
Non-capital losses available for future periods	707,000	442,000
	707,000	470,000
Unrecognized deferred tax assets	(707,000)	(470,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences and unused tax losses are as follows:

	December 31, 2018	Expiry date range	December 31, 2017	Expiry date range
<b>Temporary Differences</b>				
Share issue costs	\$ 77,000	2019 to 2022	\$ 103,000	2018 to 2021
Non-capital losses available for future periods	\$ 3,295,000	2019 to no expiry date	\$ 2,091,000	2018 to no expiry date
Canada	\$ 976,000	2036 to 2038	\$ 661,000	2036 to 2037
China	\$ 203,000	2022 to 2023	\$ 52,000	2022 to 2023
Hong Kong	\$ 903,000	No expiry date	\$ 731,000	No expiry date
Vietnam	\$ 1,213,000	2019 to 2023	\$ 647,000	2019 to 2022

Tax attributes are subject to review, and potential adjustment, by tax authorities.

# **Glorious Creation Limited**

## **Notes to the Consolidated Financial Statements**

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### **19. INCOME TAXES (continued)**

As Hong Kong based corporations, Glorious IT Creation Limited and Transinall are subject to a 16.5% corporate income tax rate.

As Vietnamese based corporations, Glorious Vietnam and VnTrans are subject to a 22% corporate income tax rate.

As Chinese based corporations, Glorious Shenzhen is subject to a 25% corporate income tax rate.

### **20. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Subsequent to the year ended December 31, 2018, the Company received loans of \$150,000 in April and May 2019. The loans bear no interest and mature on demand by the lenders. The Company provides all of its currently held and after-acquired assets as security for the loans.