

Consolidated Financial Statements of

FIRESWIRL TECHNOLOGIES INC.

For the Years ended December 31, 2016 and 2015

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

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

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

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

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

April 25, 2017

(signed)
"Lawrence Ng"
Interim Chief Executive Officer

(signed)
"Ji Yoon"
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Fireswirl Technologies Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Vancouver, Canada
April 25, 2017


Chartered Professional Accountants

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash		\$ 1,785,867	\$ 3,136,307
Restricted cash		-	739,995
Trade and other receivables	8	46,334	3,761,221
Deposits and prepayments		134,459	3,855,239
Inventory	9	184,649	4,718,146
Assets held for sale	6	14,921,692	-
Total Current Assets		17,073,001	16,210,908
Investment	10	150,000	150,000
Property and equipment	11	3,969	122,410
Trademark		-	19,176
Goodwill	6	-	306,926
Total assets		\$ 17,226,970	\$ 16,809,420
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	\$ 525,109	\$ 2,479,869
Due to related parties	15	-	140,811
Short term loans	6	-	9,475,896
Liabilities associated with the assets held for sale	6	13,036,065	-
Total liabilities		13,561,174	12,096,576
Shareholders' equity			
Common shares	12	8,206,521	8,206,521
Contributed surplus	12	3,641,548	3,593,579
Accumulated other comprehensive income		235,284	492,309
Accumulated other comprehensive income relating to assets held for sale	6	21,952	-
Accumulated deficit		(9,662,205)	(7,678,208)
Total equity attributable to shareholders of the Company		2,443,100	4,614,201
Non-controlling interest associated with the assets held for sale	6/13	1,222,696	98,643
Total equity		3,665,796	4,712,844
Total liabilities and shareholders' equity		\$ 17,226,970	\$ 16,809,420

Going concern assumption (Note 2)

Commitments (Note 18)

Subsequent events (Note 22)

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

On behalf of the Board of Directors

"Lawrence Ng"

Director

"Ji Yoon"

Director

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (Expressed in Canadian Dollars)

	Notes	Year ended December 31	
		2016	2015
			(Note 6)
Operating revenue			
Sales		\$ 45,629	\$ 112,997
Service revenue		71,900	292,334
		117,529	405,331
Cost of sales		73,789	85,525
		43,740	319,806
Operating expenses			
General administration	20	1,215,126	1,870,916
Sales and marketing	20	176,110	87,238
		1,391,236	1,958,154
		(1,347,496)	(1,638,348)
Gain on sale of e-Commerce platform	7	-	6,199,967
Foreign exchange loss		(1,981)	(219,994)
Interest and other income		19,324	13,107
Finance costs		(1,925)	(1,757)
(Loss) income before income tax from continuing operations		(1,332,078)	4,352,975
Income tax expenses	14	-	(1,692)
Net (loss) income for the year from continuing operations		(1,332,078)	4,351,283
Net income (loss) from discontinued operations, net of tax	6	498,146	(166,668)
Net (loss) income for the year		(833,932)	4,184,615
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		(261,085)	133,687
Net comprehensive (loss) income		\$ (1,095,017)	\$ 4,318,302
Net (loss) income for the year attributable to:			
Shareholders of the Company		\$ (1,983,997)	\$ 4,267,949
Non-controlling interest	13	1,150,065	(83,334)
		\$ (833,932)	\$ 4,184,615
Comprehensive (loss) income for the year attributable to:			
Shareholders of the Company		\$ (2,219,070)	\$ 4,414,409
Non-controlling interest	13	1,124,053	(96,107)
		\$ (1,095,017)	\$ 4,318,302
Basic and diluted per share of:			
Net (loss) income from continuing operations attributable to shareholders of the Company		\$ (0.02)	\$ 0.08
Net (loss) income for the year attributable to shareholders of the Company		\$ (0.04)	\$ 0.08
Weighted average number of common shares			
Basic and diluted		53,571,285	53,571,285

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

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Contribution surplus	Accumulated other comprehensive income	Accumulated other comprehensive income relating to assets held for sale	Accumulated deficit	Total	Non-controlling interest to be reclassified to profit and loss subsequent periods	Total shareholders' equity
Balance at December 31, 2014	53,571,285	\$ 8,206,521	\$ 3,573,733	\$ 345,850	\$ -	\$ (11,946,157)	\$ 179,947	\$ 194,749	\$ 374,696
Net income (loss) for the year	-	-	-	-	-	4,267,949	4,267,949	(83,334)	4,184,615
Share-based compensation	-	-	19,846	-	-	-	19,846	-	19,846
Exchange differences on translation of foreign operations	-	-	-	146,459	-	-	146,459	(12,772)	133,687
Balance at December 31, 2015	53,571,285	\$ 8,206,521	\$ 3,593,579	\$ 492,309	\$ -	\$ (7,678,208)	\$ 4,614,201	\$ 98,643	\$ 4,712,844
Net (loss) for the year	-	-	-	-	-	(1,983,997)	(1,983,997)	1,150,065	(833,932)
Share-based compensation	-	-	47,969	-	-	-	47,969	-	47,969
Foreign currency translation relating to discontinued operations	-	-	-	(21,952)	21,952	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(235,073)	-	-	(235,073)	(26,012)	(261,085)
Balance at December 31, 2016	53,571,285	\$ 8,206,521	\$ 3,641,548	\$ 235,284	\$ 21,952	\$ (9,662,205)	\$ 2,443,100	\$ 1,222,696	\$ 3,665,796

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

FIRESWIRL TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes	Year ended December 31	
		2016	2015 (Note 6)
OPERATING ACTIVITIES			
(Loss) income from continuing operations		\$ (1,332,078)	\$ 4,351,283
Income tax expense		-	1,692
(Loss) income before income tax from continuing operations		(1,332,078)	4,352,975
Add (deduct) items not affecting cash:			
Depreciation and amortization		1,557	5,095
Impairment of trademark		19,176	-
Share-based compensation		47,969	19,846
Gain on sale of e-Commerce platform		-	(6,199,967)
Bad debt (recovery) expenses		(60,476)	92,174
Interest and other income		(19,324)	(13,107)
Finance costs		1,925	1,757
Changes in non-cash working capital items:			
Trade and other receivables		447,539	(292,234)
Due from/to a related party		(135,970)	224,145
Deposits and prepayments		(77,616)	25,831
Inventory		92,346	(291,008)
Accounts payable and accrued liabilities		(106,014)	79,392
		(1,120,966)	(1,995,101)
Interest received		19,324	13,107
Interest paid		(1,925)	(21,352)
Income taxes paid		-	(1,692)
Net cash used in operating activities of continuing operations		(1,103,567)	(2,005,038)
Net cash used in operating activities of discontinued operations	6	(875,342)	(1,259,489)
INVESTING ACTIVITIES			
Acquisition of property and equipment		(2,055)	(9,554)
Investment		-	(150,000)
Proceeds from sales of e-Commerce platform	7	-	6,225,000
Net cash from investing activities of continuing operations		(2,055)	6,065,446
Net cash used in investing activities of discontinued operations	6	(53,055)	(31,821)
FINANCING ACTIVITIES			
Repayment of short term loans		-	(624,400)
Loan repayment to shareholders		(29,834)	(550,692)
Net cash used in financing activities of continuing operations		(29,834)	(1,175,092)
Net cash provided by financing activities of discontinued operations	6	1,525,841	953,992
Effect of exchange rate changes on cash and cash equivalents		(49,927)	39,197
Increase in cash and cash equivalents		(587,939)	2,587,195
Cash and cash equivalents, beginning of the year		3,136,307	549,112
Cash and cash equivalents, end of the year		\$ 2,548,368	\$ 3,136,307
Cash and cash equivalents consisting of			
Cash and cash equivalents		\$ 1,785,867	\$ 3,017,406
Cash attributable to discontinued operations		762,501	118,901
		\$ 2,548,368	\$ 3,136,307

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 1 – Reporting Entity

Fireswirl Technologies Inc. (the “Company”) was founded in 1999 and became publicly listed in 2006. The Company and its subsidiaries focus on conducting e-commerce, including operating official online stores for international brands in China and reselling branded products on these online stores and online store content development and deployment. Please also see Note 6 for disposition of a subsidiary in 2016 and Note 22 for a business acquisition subsequent to December 31, 2016.

The address of the Company’s registered office is Suite 2823, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia. The Company’s shares are listed on the TSX Venture Exchange under the symbol FSW.

Note 2 – Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on April 25, 2017.

b) Going concern assumption

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

For the year ended December 31, 2016, the Company incurred an operating loss of \$1,347,496 and loss from continuing operations of \$1,332,078. As at December 31, 2016, the Company had an accumulated deficit of \$9,662,205 since inception. The Company is expected to complete the disposition of its subsidiary, Beijing Xingchang Xinda Technology Development Co., Ltd. (“XCXD”) in 2017. The operating results of XCXD have been presented as a discontinued operation for the years ended December 31, 2016 and 2015 (Note 6). The Company has entered into a share purchase agreement to purchase an aggregate of 60% equity interest in AMZON (HK) Limited on February 3rd, 2017. See Note 22 for more details.

The continuation of the Company as a going concern is dependent upon its ability to raise additional financing and ultimately attain and maintain profitable operations. There can be no assurance that such financing and profitability will occur in the amounts and with terms expected. In the event that cash flow from operations, if any, together with the proceeds of any future financings, are insufficient to meet the Company’s current operating needs, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deems to be in the Company’s best interest.

There is material uncertainty that the Company will be able to achieve profitable operations or continue raising funds in the future. These factors raise significant doubt about the Company’s

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying value and classification of assets and liabilities and related expense that would be necessary should the Company be unable to continue as a going concern.

c) Use of estimates

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

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

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

d) Basis of measurement

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

Note 3 – Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective January 1, 2016 that had a material impact on these consolidated financial statements.

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

a) Basis of consolidation

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

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

* The Company has control over Beijing Xingchang Xinda Technology Development Co., Ltd. ("XCXD") because it has 51% voting right in XCXD. Also see Note 6.

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

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

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

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

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

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

b) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the year. All resulting exchange differences are recognized directly in other comprehensive income (loss) and accumulated in equity.

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

c) Cash and cash equivalents

Cash and cash equivalents consist of cash, funds in bank accounts, and marketable securities such as guaranteed investment certificates with an original maturity date of less than 90 days and are initially measured at fair value, and subsequently measured at amortized cost, which approximates fair value due to the short-term and liquid nature of these assets. Interest income earned on these marketable securities is recorded using the effective interest rate method.

d) Trade and other receivables

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

e) Financial instruments

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

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

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

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

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

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

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

(ii) Available-for-sale:

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost in which case the loss is recognized in the consolidated statements of income (loss). Investment in Empower Environmental Solutions Ltd. (Note 10) is classified as an available-for-sale financial asset.

(iii) Loans and receivables:

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

(iv) Financial liabilities at amortized cost:

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

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

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

f) Inventory

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

g) Property and equipment

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

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

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

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

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

h) Goodwill

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

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

i) Impairment

(i) Financial assets

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

(ii) Non-financial assets

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

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

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

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

j) Provisions

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

k) Share capital

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

l) Revenue recognition

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

m) Employee benefits

(i) Short-term employee benefits

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

(ii) Termination benefits

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

n) Share-based compensation

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

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

o) Government assistance

Government grants are recognized at fair value when there is reasonable assurance that the grant will be received and all the conditions attached to it will be complied with. Grants relating to fixed assets are recognized as deferred income and are credited to other income on a systematic basis over the useful life of the assets. Grants relating to expenses incurred are deferred and are recognized on a systematic basis over the periods in which the related costs for which the grants are intended to compensate are incurred.

p) Other comprehensive income

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

q) Income taxes

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

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

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

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

r) Deposit and prepayments

Deposit and prepayments mainly consist of prepayments to vendors for purchases of inventory.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

s) Discontinued operation

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

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

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

t) Assets Held for Sale

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

u) Earnings (loss) per share

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

Under the treasury stock method the dilution is calculated based upon the number of common shares issued should "in the money" options or warrants, if any, be exercised. When the effects of outstanding share-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. During the year ended December 31, 2016, stock options are not included in the computation of earnings per share as these stock options are out of the money and such inclusion would be anti-dilutive.

Note 4 – Critical Judgments and Key Sources of Estimation Uncertainty

a) Critical judgements in applying accounting policies

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

b) Key sources of estimation uncertainty

(i) Impairment of long lived assets

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

(ii) Sales returns

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

(iii) Allowance for doubtful accounts

The Company's allowance for doubtful accounts is based on management's assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging, customer disputes and the collectability of specific customer accounts. Major customers' accounts are monitored on an ongoing basis; more in depth reviews are performed based on changes in customer's financial condition and/or the level of credit being extended. When a significant event occurs, such as a bankruptcy filing by a specific customer, and on a quarterly basis, the allowance is reviewed for adequacy and the balance or provision rate is adjusted to reflect current risk prospects.

Estimates used to determine amount of allowance required involve uncertainties. If there were a deterioration of a major customer's creditworthiness, or actual defaults were higher than the Company's historical experience, estimates of the recoverability of amounts due could be overstated, which could have an adverse impact on operating results. As of December 31, 2016, allowance for doubtful accounts is \$8,928 (2015 - \$nil) as it has been overdue for an extended period. Refer to Note 8 for more information.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

(iv) Reserve for inventory obsolescence

In determining the lower of cost or net realizable value of inventory, the provision for inventory obsolescence is estimated based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling prices and product lines planned to be discontinued. Management estimates are monitored on a quarterly basis and an adjustment to reduce inventory to its net realizable value is recorded as an increase to cost of sales. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made.

Failure to accurately predict and respond to consumer demand could result in the Company under stocking popular items or over stocking less popular items and impact management's estimates in establishing its inventory provision. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, be required. Refer to Note 9 for more information.

(v) Share-based compensation

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

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options. Refer to Note 12(b) for more information.

(vi) Income taxes

The Company is subject to income taxes in Canada and in China. Management has estimated the income tax provision and deferred tax balances in accordance with its interpretation of the various income tax laws and regulations, and has estimated the recoverability of deferred tax balances. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred tax balances could change. Refer to Note 14 for more information.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 5 – IFRS Standards Issued But not yet Effective

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that effect the financial statements. The Company is still in the process of assessing the impact that these standards will have on its consolidated financial statements.

a) IFRS 9 Financial Instruments (“IFRS 9”)

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

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

b) IFRS 15 Revenue from contracts with customers

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

c) IFRS 16, Leases (“IFRS 16”)

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 6– Discontinued Operations

The Company entered into a purchase and sale agreement on February 29, 2016, amended on April 5, 2016 and December 31, 2016 (collectively, the “XCXD Disposition Agreement”), pursuant to which the Company has agreed to sell its controlling interest in XCXD to its non-controlling shareholders (the “Purchasers”) in consideration for an aggregate of 6,058,673 common shares of the Company held by the purchasers and cash in the amount of RMB5,000,000 (equivalent to \$965,009) in exchange of full settlement of XCXD’s outstanding indebtedness to the Company and other subsidiaries. As at December 31, 2016, the Company has received RMB1,300,000 (equivalent to \$250,902) of the proceeds. Subsequent to December 31, 2016, RMB2,200,000 (equivalent to \$424,604) has been received. However, there is a significant uncertainty for the collection of the remaining RMB1,500,000 (equivalent to \$269,503) and therefore the uncollectible amount of \$269,503 has been included in impairment loss recognized on re-measurement to fair value less costs to sell. The 6,058,673 common shares have not been received as at the date of issuance of these financial statements. All of the XCXD’s revenues are generated in China and all of XCXD’s assets are located in China.

The assets and liabilities of XCXD have been measured at the lower of its carrying value and fair market value less cost to sell and have been classified as held for sale as at December 31, 2016. They have been presented separately under the current assets and current liabilities, respectively.

The sale of XCXD represents a discontinued operation, therefore, the operating results of XCXD have been presented as discontinued operations for the year ended December 31, 2016 and the comparative results have been re-presented as follows:

	For the years ended	
	December 31,	
	2016	2015
Operating revenue		
Sales	\$ 63,274,267	\$ 43,024,560
Service revenue	13,881,279	5,438,299
	77,155,546	48,462,859
Operating expenses	(73,524,847)	(48,249,390)
	3,630,699	213,469
Interest and other income	6,684	13,993
Finance costs	(585,147)	(388,467)
Impairment loss recognized on remeasurement to fair value less costs to sell (ii)	(1,801,983)	-
Income (loss) before income tax from discontinued operations	1,250,253	(161,005)
	(752,107)	(5,663)
Income tax expense	(752,107)	(5,663)
Net income (loss) from discontinued operations	\$ 498,146	\$ (166,668)
Net loss from discontinued operations attributable to:		
shareholders of the Company	\$ (651,919)	\$ (83,334)
Basic and diluted loss per share from discontinued operations	\$ (0.01)	\$ (0.00)

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

The net cash flows from XCXD for the years ended December 31, 2016 and 2015 are as follows:

	For the years ended	
	December 31,	
	2016	2015
Net cash used in operating activities	\$ (875,342)	\$ (1,259,489)
Net cash used in investing activities	(53,055)	(31,821)
Net cash provided by investing activities	1,525,841	953,992
Net cash inflow (outflow)	\$ 597,444	\$ (337,318)

The major classes of assets and liabilities of XCXD classified as held for sales as at December 31, 2016 are as follows:

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

- (i) XCXD is required to maintain a deposit of RMB5,451,926 (equivalent to \$1,052,232) as at December 31, 2016 (December 31, 2015 - RMB3,472,502 equivalent to \$739,995) with its financial institution for its short term loan accounts. The restricted cash will be released when the short term loans are paid off.
- (ii) The Company recorded an impairment loss of \$1,801,983 as at and for the year ended December 31, 2016 to reduce the carrying amount of the assets held for sale to their fair value less costs to sell. The fair value is determined by reference to the fair value of the consideration estimated based on the quoted market price of the Company's share at the year end. The impairment loss was first allocated to reduce the carrying amount of the goodwill of \$306,926 to nil with the remaining allocated to reduce the carrying value of property and equipment and prepayment and deposits. The impairment loss was recognized in the net income (loss) from discontinued operations.
- (iii) As at December 31, 2016, XCXD had a payable of \$15,267 (December 31, 2015 - \$110,834) owing to a shareholder of XCXD.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

- (iv) As at December 31, 2016, XCXD had various revolving credit facilities and short term bank loans in the amount of \$10,440,235 (December 31, 2015 - \$9,475,896). The weighted average interest rate for the year ended December 31, 2016 is 9.15% (2015 - 8.22%). These loans were secured by XCXD's restricted cash and apartments owned by XCXD's management.
- (v) During the year ended December 31, 2016, XCXD provided service to set up an e-commerce platform for a company controlled by one of the Purchasers for RMB2,488,159 (equivalent to \$495,718) which has been collected as of December 31, 2016.
- (vi) During the year ended December 31, 2016, the Company received interest subsidy in the amount of RMB1,000,000 (equivalent to \$199,509) (2015 – RMB1,000,000 (equivalent to \$213,101)). For the year ended December 31, 2016, the total interest expense on short term loans net of the interest subsidy received is \$585,147 (2015 - \$388,467). These loans are not subject to any financial covenants.

Note 7 – Sale of Assets

On March 25, 2015 the Company completed the sale of its Shenzhen e-commerce platform to Fung, which includes: (i) equipment with carrying value of \$24,615; and (ii) goodwill, intellectual property and customer lists and contracts with carrying amount of \$nil.

The total proceeds after working capital adjustment is \$6,225,000, of which \$2,975,000 was received in March 2015. According to the purchase and sale agreement, the balance of \$3,250,000 is scheduled to be paid upon satisfaction of certain conditions, including the resignation of Mr. Tony Lau (“Mr. Lau”) as the Company’s chief executive officer and Mr. Lau joining Fung as an employee within nine months of completion of the sale (the “Payment Conditions”). The Company fulfilled the Payment Conditions in September 2015 and received the remaining balance of the proceeds in October 2015. In connection with the completion of the sale, the Company repaid the principal amount of the \$400,000 interest-free loan from Fung to the Company, which was granted on October 24, 2014, by way of set-off against the proceeds received.

Note 8 – Trade and Other Receivables

	December. 31, 2016	December 31, 2015
Trade receivables	\$ 10,231	\$ 3,170,068
VAT/GST receivable	36,103	591,153
	\$46,334	\$ 3,761,221

Accounts of XCXD have been presented as assets held for sale as at December 31, 2016 (Note 6). As at December 31, 2015, trade and other receivables included XCXD's trade and other receivables of \$3,280,441.

During the year ended December 31, 2016, the Company recorded bad debt recovery of \$ 60,476. (2015 – expense of \$92,174).

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 9 – Inventory

For the year ended December 31, 2016, inventory recognized as an expense in purchases amounted to \$32,350 (2015 - \$47,860). As of December 31, 2016, the Company anticipates the net inventory will be realized within one year. As at December 31, 2015, inventory included XCXD's inventory of \$4,415,630. Accounts of XCXD have been presented as assets held for sale as at December 31, 2016 (see Note 6).

Note 10 – Investment in Empower Environmental Solutions Ltd.

On August 4, 2015, the Company subscribed 1,000,000 common shares of Empower Environmental Solutions Ltd. ("EMP"), an unrelated entity, at a price of \$0.15 per share for total of \$150,000, representing approximately 4% equity interest in EMP. EMP is a private entity based in Canada and is in a recycling business focusing on reusing and recycling of asphalt shingles in North America. The investment in EMP is classified as available for sale and is presented as a non-current asset. The maximum risk exposure is the amount the Company invested in EMP. As at December 31, 2016, the fair value of investment in EMP approximate to its carrying value. The fair value of the investment in EMP is measured based on observing the equity financing completed by EMP (level 2 in the fair value hierarchy) during the year ended December 31, 2016.

Note 11 – Property and equipment

	Furniture & Fixtures	Computers & Office Equipment	Leasehold Improvement	Total
Asset Costs				
Balance, December 31, 2014	\$ 4,801	\$ 587,894	\$ 222,949	\$ 815,644
Foreign Exchange	673	80,126	27,897	108,696
Additions	-	41,375	-	41,375
Disposals	-	(46,038)	-	(46,038)
Balance, December 31, 2015	\$ 5,474	\$ 663,357	\$ 250,846	\$ 919,677
Foreign Exchange	(517)	(63,230)	(21,400)	(85,147)
Additions	-	54,900	-	54,900
Assets held for sales (Note 6)	-	(641,375)	(205,491)	(846,866)
Balance, December 31, 2016	\$ 4,957	\$ 13,652	\$ 23,955	\$ 42,564
Accumulated Depreciation				
Balance, December 31, 2014	\$ 4,561	\$ 443,037	\$ 209,654	\$ 657,252
Foreign Exchange	652	65,616	26,721	92,989
Amortization of the period	261	52,641	14,471	67,373
Disposals	-	(20,347)	-	(20,347)
Balance, December 31, 2015	\$ 5,474	\$ 540,947	\$ 250,846	\$ 797,267
Foreign Exchange	(765)	(51,937)	(21,400)	(74,102)
Amortization of the period	-	53,806	-	53,806
Assets held for sale (Note 6)	-	(532,885)	(205,491)	(738,376)
Balance, December 31, 2016	\$ 4,709	\$ 9,931	\$ 23,955	\$ 38,595
Carrying Amounts				
At December 31, 2014	\$ 240	\$ 144,857	\$ 13,295	\$ 158,392
At December 31, 2015	\$ -	\$ 122,410	\$ -	\$ 122,410
At December 31, 2016	\$ 248	\$ 3,721	\$ -	\$ 3,969

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

The total depreciation related to continuing operations and discontinued operation for the year ended December 31, 2016 is \$1,557 and \$52,249, respectively (2015 - \$5,095 and \$62,278, respectively).

Note 12 – Share Capital

a) Share capital

(i) Authorized:

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

(ii) Issued and outstanding:

As at December 31, 2016 and 2015, the Company had 53,571,285 common shares issued and outstanding. There were no changes to the number of common shares issued and outstanding during the years ended December 31, 2016 and 2015.

b) Stock option plan

The Company has established the stock option plan under which stock options to purchase common shares may be granted to directors, officers and employees of the Company and to any other person or Company permitted by the applicable regulatory authorities to purchase unissued common shares. The aggregate number of Shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the common shares of the corporation.

As at December 31, 2016, options outstanding from the Company's stock option plan were as follows:

	Number of options	Weighted average exercise price (\$)
Balance, December 31, 2014	1,350,000	0.15
Granted	550,000	0.10
Forfeited/expired	(380,000)	0.14
Balance, December 31, 2015	1,520,000	0.14
Granted	2,500,000	0.05
Forfeited/expired	(1,220,000)	0.15
Balance, December 31, 2016	2,800,000	0.06

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

On May 27, 2016, the Company granted 2,500,000 stock options to its directors, officers and employees to purchase common shares of the Company at an exercise price of \$0.05 per share. These options are exercisable over 5 years. 50% of these options vested immediately and the remaining options will vest in one year from the date of grant. These options are exercisable over 5 years. The grant date fair value of these options was \$0.02 per option calculated based on the Black-Scholes Pricing Model with the following assumptions:

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

On April 3, 2015, the Company granted 250,000 stock options to its directors, officers and employees to purchase common shares of the Company at an exercise price of \$0.12. 50% of these options vested immediately and the remaining options vest in one year from the date of grant. These options are exercisable over 5 years. The grant date fair value of these options was \$0.06.

On June 10, 2015, the Company granted 300,000 stock options to its directors, officers and employees to purchase common shares of the Company at an exercise price of \$0.09. 50% of these options vested immediately and the remaining options vest in one year from the date of grant. These options are exercisable over 5 years. The grant date fair value of these options was \$0.04.

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

	April 3, 2015	June 10, 2015
	Grant	Grant
Expected life of options in years	5 years	5 years
Weighted average volatility	139%	120%
Risk free interest rate	0.89%	0.88%
Expected dividend yield	0%	0%
Share price at the date of grant	\$0.12	\$0.09

Volatility was determined based on the historical volatility of the Company's shares over the estimated life of stock options. For the year ended December 31, 2016, share-based compensation in the amount of \$47,969 (2015 – \$19,846) was recognized as general administration expenses in the Company's consolidated statements of income (loss).

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

The following table summarizes information about stock options outstanding at December 31, 2016:

Exercise Price (\$)	Options Outstanding		Options Exercisable	
	Number of options	Remaining contractual life (Years)	Number of options	Remaining contractual life (Years)
0.05	2,500,000	4.41	1,250,000	4.41
0.09	200,000	3.44	200,000	3.44
0.12	100,000	3.26	100,000	3.26
	2,800,000	4.30	1,550,000	4.21

c) Warrants

The following is a summary of warrant transactions:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2014	1,700,000	0.25
Expired	(1,700,000)	0.25
Balance, December 31, 2015 and 2016	-	-

Note 13 – Non-controlling Interest

Non-controlling interest (“NCI”) represents the 50% interest in XCXD. The continuity of NCI is summarized below:

Balance, December 31, 2014	\$ 194,749
Net loss attributable to non-controlling interest	(83,334)
Other comprehensive loss attributable to non-controlling interest	(12,772)
Balance, December 31, 2015	98,643
Net income attributable to non-controlling interest	1,150,065
Other comprehensive loss attributable to non-controlling interest	(26,012)
Balance, December 31, 2016	\$ 1,222,696

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 14 – Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2016 and 2015:

	2016		2015	
Loss before income tax from continuing operations	\$	(1,332,078)	\$	4,352,975
Statutory tax rate		26.00%		26.00%
Expected income tax (recovery)		(346,340)		1,131,774
Non-deductible items		37,700		14,074
Non-taxable gain		-		(735,013)
Foreign tax rate difference		43,107		16,560
Change in deferred tax asset not recognized		265,533		(425,703)
Total income tax expense (recovery)	\$	-	\$	1,692
Current tax expense (recovery)	\$	-	\$	1,692
Deferred tax expense (recovery)		-		-
Total income tax expense (recovery)	\$	-	\$	1,692

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at December 31, 2016 and 2015 are as follows:

	2016		2015	
Tax losses carryforwards (Canada)	\$	5,097,555	\$	4,181,060
Tax losses carryforwards (China and Hong Kong)		2,506,145		2,986,436
Intangible assets (Canada)		73,394		54,218
Intangible assets (China)		607,951		671,265
Fixed assets		121,831		143,432
Financing costs		31,195		48,308
Other		105,252		486,070
Unrecognized deductible temporary differences	\$	8,543,323	\$	8,570,789

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital loss carry forwards for Canadian income tax purposes of approximately \$5,097,555 from the Company's Canadian entity available to reduce taxable income in Canada. These losses expire in various years from 2025 to 2036:

Canada		
Expiry		Total
2025	\$	10,131
2026		141,527
2027		373,828
2028		526,144
2029		631,148
2030		410,644
2031		418,825
2032		413,586
2033		336,805
2034		755,422
2035		309,117
2036		770,378
Total	\$	5,097,555

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of tax loss carry forwards for Chinese income tax purposes of approximately \$982,714 from the Company's Chinese subsidiaries available to reduce taxable income in China. These losses expire in various years from 2017 to 2021.

China		
Expiry		Total
2017	\$	220,339
2018		268,599
2019		478,735
2020		14,465
2021		576
Total	\$	982,714

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of tax loss carry forwards for Hong Kong income tax purposes of approximately \$1,523,431 from the Company's Hong Kong subsidiary available to reduce taxable income in Hong Kong. These losses can be carried forward indefinitely.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 15 – Related Party Transactions

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

a) Due to related parties

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

- (i) Due to the Company's shareholders are unsecured, non-interest bearing and have no specific repayment date.
- (ii) Yatan's senior management is one of the shareholders of XCXD. The balance is non-interest bearing and have no specific repayment date.
- (iii) Due to directors are unsecured, non-interest bearing and have no specific repayment date.

b) Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the years ended December 31, 2016 and 2015 is as follows:

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 16 – Segmented Information

The Company operates in one segment, being the operation of official online stores for international brands in China and reselling branded products on these online stores. Substantially all of the Company's revenues were generated in China. No customer accounted for greater than 10% of the Company's sales during the years ended December 31, 2016 and 2015.

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

December 31, 2016	China		Canada		Total
Property and equipment	\$	-	\$	3,969	\$ 3,969
Investment		-		150,000	150,000
Trademark		-		-	-
Total	\$	-	\$	153,969	\$ 153,969

The Company's long-term assets located in Canada and China at December 31, 2015 are as follows:

December 31, 2015	China		Canada		Total
Property and equipment	\$	118,977	\$	3,433	\$ 122,410
Investment		-		150,000	150,000
Goodwill		306,926		-	306,926
Trademark		19,176		-	19,176
Total	\$	445,079	\$	153,433	\$ 598,512

Note 17 – Financial Instruments

a) Fair value

Fair value is the amount at which a financial instrument could be exchanged between willing parties based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on present value and other valuation techniques using rates that reflect those that the Company could currently obtain, on the market, for financial instruments with similar terms, conditions and maturities.

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

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

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

The Company's financial assets include (i) cash and cash equivalents, restricted cash and trade receivables which are classified as loans and receivable and (ii) investment which is classified as

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

available for sale. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties, and short term loans which are all classified as financial liabilities at amortized cost.

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

b) Credit risk

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

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

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

c) Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign exchange rate when the Company undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Company currently does not use derivative instruments to hedge its exposure to those risks. As at December 31, 2016, the Company is subject to immaterial currency risk as it did not have material assets or liabilities held in currencies other than its functional currencies.

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

d) Interest risk

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

e) Liquidity risk

The purpose of liquidity risk management is to maintain a sufficient amount of cash and cash equivalents. Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

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

Note 18 – Commitments

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

2017	\$ 15,703
2018	1,790
2019	-
Total	\$ 17,493

Pursuant to the applicable laws in PRC, PRC entities are required to make appropriations to statutory reserve funds based on after-tax net earnings as determined in accordance with PRC GAAP. Appropriation to the statutory reserve funds should be at least 10% of the after-tax net earnings until the reserve is equal to 50% of the entity's registered capital. During the year ended December 31, 2016, the Company allocated \$160,645 from after-tax net earnings to XCXD's statutory reserve funds. As at December 31, 2016, the Company's subsidiary XCXD had statutory reserve funds of \$160,389 (2015 - 128,384).

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 19 – Capital Management

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

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

Note 20 – Expenses by Nature

During the years ended December 31, 2016 and 2015, the Company incurred the following expenses:

	Note	For the years ended	
		December 31,	
		2016	2015
General Administration Expense			
Salaries and benefits	15b)	700,548	1,106,745
Professional fees, insurance and public company costs		363,183	473,168
Occupancy costs		102,036	120,858
Share-based compensation	15b)	47,969	19,846
Other office expenses		41,133	53,030
Impairment of trademark		19,176	-
Depreciation and amortization		1,557	5,095
Bad debt expense (recovery)		(60,476)	92,174
		<u>1,215,126</u>	<u>1,870,916</u>
Sales and Marketing Expense			
Travel		123,306	68,467
Meal and entertainment		50,804	18,771
Advertising and promotion		2,000	-
		<u>176,110</u>	<u>87,238</u>
Total Operating Expense		<u>1,391,236</u>	<u>1,958,154</u>

FIRESWIRL TECHNOLOGIES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

Note 21 – Comparative Figures

The items of statements of loss for the year ended December 31, 2015 have been reclassified to net loss from discontinued operations, net of tax.

The items of operating expenses for the year ended December 31, 2015 have been reclassified to general administration and sales and marketing to conform to the current year's presentation.

Note 22 – Subsequent Events

On February 3, 2017 the Company entered into a share purchase agreement, pursuant to which the Company has agreed to purchase an aggregate of 60% equity interest in AMZON (HK) Limited ("AMZON") for total of HK\$7.2 million (approximately \$1.2 million) in three payment dates. The closing date is each of the first, second and first payment date. On March 24, 2017, the Company completed the first payment in the amount of HK\$4.8 million (approximately \$800,000) and acquired 40% of the equity interest in AMZON (the "First Payment Date"). On April 20, 2017, the Company completed the 2nd payment in the amount of HK\$1.2 million (approximately \$200,000) and acquire additional 10% of the equity interest in AMZON (the "Second Payment Date"). Under the same agreement, the Company is expected to purchase a final 10% of the equity interest in AMZON for HK\$1.2 million (approximately \$200,000) no later than 30 days after the Second Payment Date (the "Third Payment Date"). AMZON is a private company incorporated pursuant to the laws of Hong Kong Special Administrative Region of China and is in the business of providing multimedia and interactive marketing solutions, specializing in three dimensional visualizations, computer graphics and digital design. The Company is in the process to perform the valuation of the assets acquired and liabilities assumed in connection with the AMZON acquisition.