

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2017

(Unaudited)

**NOTICE TO READER OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Fireswirl Technologies Inc. (the "Company") have been prepared by the Company's management and have not been reviewed by the Company's independent auditors. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016 which are available at the SEDAR website at www.sedar.com.

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

| | Notes | June 30, 2017 | December 31, 2016 |
|---|-------|---------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 784,330 | \$ 1,785,867 |
| Trade and other receivables | 6 | 76,703 | 46,334 |
| Deposits and prepayments | | 80,452 | 134,459 |
| Inventory | | 87,517 | 184,649 |
| Assets held for sale | 4 | - | 14,921,692 |
| Total Current Assets | | 1,029,002 | 17,073,001 |
| Investment | | 150,000 | 150,000 |
| Property and equipment | | 9,816 | 3,969 |
| Intangible assets | 5 | 1,862,892 | - |
| Goodwill | 5 | 42,604 | - |
| Total assets | | \$ 3,094,314 | \$ 17,226,970 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9 | \$ 667,664 | \$ 525,109 |
| Due to related parties | | 225,282 | - |
| Deferred revenue | | 22,941 | - |
| Liabilities associated with assets held for sale | 4 | - | 13,036,065 |
| Total Current Liabilities | | 915,887 | 13,561,174 |
| Deferred tax liability | 5 | 326,711 | - |
| Total liabilities | | 1,242,598 | 13,561,174 |
| Shareholders' equity | | | |
| Common shares | | 7,933,908 | 8,206,521 |
| Contributed surplus | | 3,670,253 | 3,641,548 |
| Accumulated other comprehensive income | | 250,888 | 235,284 |
| Accumulated other comprehensive income relating to assets held for sale | 4 | - | 21,952 |
| Accumulated deficit | | (10,622,177) | (9,662,205) |
| Total equity attributable to shareholders of the Company | | 1,232,872 | 2,443,100 |
| Non-controlling interest associated with assets held for sale | 4/7 | - | 1,222,696 |
| Non-controlling interest | 5/7 | 618,844 | - |
| Total equity | | 1,851,716 | 3,665,796 |
| Total liabilities and shareholders' equity | | \$ 3,094,314 | \$ 17,226,970 |

Going concern assumption (Note 2)

Commitments (Note 12)

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.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

| | Notes | Three months ended | | Six months ended | |
|--|-------|---------------------|-----------------------|-----------------------|-----------------------|
| | | June 30 | | June 30 | |
| | | 2017 | 2016 | 2017 | 2016 |
| Operating revenue | | | | | |
| Sales | | \$ - | \$ - | \$ - | \$ 45,629 |
| Service revenue | | 121,338 | 15,107 | 137,356 | 39,749 |
| | | 121,338 | 15,107 | 137,356 | 85,378 |
| Cost of sales | | | | | |
| | | 58,155 | 11,649 | 73,347 | 50,579 |
| | | 63,183 | 3,458 | 64,009 | 34,799 |
| Operating expenses | | | | | |
| General administration | | 680,837 | 409,480 | 1,093,968 | 805,168 |
| Sales and marketing | | 18,292 | 27,669 | 95,489 | 57,725 |
| | | 699,129 | 437,149 | 1,189,457 | 862,893 |
| Operating loss before items below | | (635,946) | (433,691) | (1,125,448) | (828,094) |
| Foreign exchange loss | | (28,555) | (39,397) | (36,769) | (41,037) |
| Interest and other income | | (5,926) | 4,657 | (4,102) | 12,151 |
| Finance costs | | (5,991) | (454) | (6,380) | (1,010) |
| Loss before income tax from continuing operations | | (676,418) | (468,885) | (1,172,699) | (857,990) |
| Income tax expenses | | - | - | - | - |
| Net loss for the period from continuing operations | | (676,418) | (468,885) | (1,172,699) | (857,990) |
| Net income (loss) from discontinued operations, net of tax | 4 | 127,574 | (699,703) | (3,527,716) | (1,189,053) |
| Gain on disposition of XCD | 4 | 1,796,600 | - | 1,796,600 | - |
| Net income (loss) for the period | | 1,247,756 | (1,168,588) | (2,903,815) | (2,047,043) |
| Other comprehensive income (loss), net of tax | | | | | |
| Exchange differences on translation of foreign operations | | 6,713 | 7,440 | (10,861) | (79,841) |
| Net comprehensive income (loss) | | \$ 1,254,468 | \$ (1,161,148) | \$ (2,914,677) | \$ (2,126,884) |
| Net income (loss) for the period attributable to: | | | | | |
| Common shareholders of the Company | | \$ 1,341,606 | \$ (683,936) | \$ (959,972) | \$ (1,452,516) |
| Non-controlling interest | 7 | (93,850) | (484,652) | (1,943,843) | (594,527) |
| | | \$ 1,247,756 | \$ (1,168,588) | \$ (2,903,815) | \$ (2,047,043) |
| Comprehensive income (loss) for the period attributable to: | | | | | |
| Common shareholders of the Company | | \$ 1,352,687 | \$ (697,932) | \$ (957,159) | \$ (1,565,026) |
| Non-controlling interest | 7 | (98,219) | (463,216) | (1,957,518) | (561,858) |
| | | \$ 1,254,468 | \$ (1,161,148) | \$ (2,914,677) | \$ (2,126,884) |
| Basic and diluted per share of: | | | | | |
| Net loss from continuing operations attributable to common shareholders of the Company | | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.02) |
| Net loss attributable to common shareholders of the Company | | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.03) |
| Weighted average number of common shares | | | | | |
| Basic and diluted | | 51,573,920 | 53,571,285 | 52,567,085 | 53,571,285 |

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

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(Expressed in Canadian Dollars)

| | Notes | Number of shares issued and outstanding | Share capital | Contribution surplus | Accumulated other comprehensive income | Accumulated other comprehensive income relating to assets held for sale | Accumulated deficit | Total | Non-controlling interest | Total shareholders' equity |
|---|-------|--|------------------|-------------------------|---|--|------------------------|--------------|-----------------------------|----------------------------------|
| Balance at December 31, 2015 | | 53,571,285 | \$ 8,206,521 | \$ 3,593,579 | \$ 492,309 | \$ - | \$ (7,678,208) | \$ 4,614,201 | \$ 98,643 | \$ 4,712,844 |
| Net loss for the period | | - | - | - | - | - | (1,452,516) | (1,452,516) | (594,527) | (2,047,043) |
| Discontinued operations | | - | - | - | (80,633) | 80,633 | - | - | - | - |
| Share-based compensation | | - | - | 33,724 | - | - | - | 33,724 | - | 33,724 |
| Exchange differences on translation of foreign operations | | - | - | - | (112,510) | - | - | (112,510) | 32,669 | (79,841) |
| Balance at June 30, 2016 | | 53,571,285 | \$ 8,206,521 | \$ 3,627,303 | \$ 299,166 | \$ 80,633 | \$ (9,130,724) | \$ 3,082,899 | \$ (463,215) | \$ 2,619,684 |
| Net income (loss) for the period | | - | - | - | - | - | (531,481) | (531,481) | 1,744,592 | 1,213,111 |
| Discontinued operations | | - | - | - | 58,681 | (58,681) | - | - | - | - |
| Share based compensation | | - | - | 14,245 | - | - | - | 14,245 | - | 14,245 |
| Foreign currency translation difference | | - | - | - | (122,563) | - | - | (122,563) | (58,681) | (181,244) |
| Balance at December 31, 2016 | | 53,571,285 | \$ 8,206,521 | \$ 3,641,548 | \$ 235,284 | \$ 21,952 | \$ (9,662,205) | \$ 2,443,100 | \$ 1,222,696 | \$ 3,665,796 |
| Net loss for the period | | - | - | - | - | - | (959,972) | (959,972) | (1,943,843) | (2,903,815) |
| Acquisition of AMZON | 5 | - | - | - | - | - | - | - | 799,712 | 799,712 |
| Share-based compensation | | - | - | 28,705 | - | - | - | 28,705 | - | 28,705 |
| Foreign currency translation relating to discontinued operations | | - | - | - | 12,791 | (12,791) | - | - | - | - |
| Exchange differences on translation of foreign operations | | - | - | - | 2,813 | - | - | 2,813 | (13,675) | (10,862) |
| 6,058,673 common shares received in treasury in connection with the disposition of XCXD | 4 | (6,058,673) | (272,613) | - | - | (9,161) | - | (281,774) | 553,954 | 272,180 |
| Balance at June 30, 2017 | | 47,512,612 | \$ 7,933,908 | \$ 3,670,253 | \$ 250,888 | \$ - | \$ (10,622,177) | \$ 1,232,872 | \$ 618,844 | \$ 1,851,716 |

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

FIRESWIRL TECHNOLOGIES INC.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

| | Notes | Six months ended June 30 | |
|---|-------|-----------------------------|---------------------|
| | | 2017 | 2016 |
| OPERATING ACTIVITIES | | | |
| Loss before income tax from continuing operations | | \$ (1,172,699) | \$ (857,990) |
| Loss before income tax from discontinued operations | | (1,689,509) | (1,181,365) |
| Loss before tax | | (2,862,208) | (2,039,355) |
| Add (deduct) items not affecting cash: | | | |
| Depreciation and amortization | | 147,648 | 34,981 |
| Share-based compensation | | 28,705 | 33,724 |
| Gain on disposition of XCXD | 4 | (1,796,600) | - |
| Bad debt recovery | | (2,865) | - |
| Interest and other income | | (6,851) | (12,151) |
| Finance costs | | 201,242 | 218,997 |
| Changes in non-cash working capital items: | | | |
| Trade and other receivables | | 3,460,495 | 2,710,619 |
| Taxes recoverable | | 50,857 | - |
| Due from/to related parties | | 1,922,546 | 2,513,103 |
| Deposits and prepayments | | 77,705 | 145,576 |
| Inventory | | (1,209,005) | (2,773,470) |
| Accounts payable and accrued liabilities | | (1,453,499) | 199,005 |
| | | (1,441,830) | 1,031,029 |
| Interest received | | 6,851 | 12,151 |
| Interest paid | | (195,638) | (218,997) |
| Income taxes paid | | (41,607) | (7,688) |
| Net cash flows from operating activities | | (1,672,224) | 816,495 |
| INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | | (30,194) | (15,507) |
| Acquisition of AZMON, net of cash received | 5 | (998,134) | - |
| Cash disposed as a result of disposition of XCXD | 4 | (901,437) | - |
| Net cash flows used in investing activities | | (1,929,765) | (15,507) |
| FINANCING ACTIVITIES | | | |
| Proceeds from short term loans | | 1,610,443 | (520,194) |
| Change in restricted cash | | (2,159) | - |
| Loan from a director | | 217,156 | - |
| Net cash flows used in financing activities | | 1,825,440 | (520,194) |
| Effect of exchange rate changes on cash and cash equivalents | | 12,511 | (60,492) |
| Increase in cash and cash equivalents | | (1,764,038) | 220,302 |
| Cash and cash equivalents, beginning of period | | 2,548,368 | 3,136,307 |
| Cash and cash equivalents, end of period | | \$ 784,330 | \$ 3,356,609 |
| Cash and cash equivalents consisting of | | | |
| Cash and cash equivalents | | \$ 784,330 | \$ 2,258,236 |
| Cash attributable to discontinued operations | | - | 1,098,373 |
| | | \$ 784,330 | \$ 3,356,609 |

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

FIRESWIRL TECHNOLOGIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three and six months ended June 30, 2017

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 4 for the disposition of a subsidiary in 2016 and Note 5 for the acquisition of AMZON (HK) Limited (“AMZON”) in February 2017.

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

These condensed interim consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 24, 2017.

Going concern assumption

These condensed interim 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 six months ended June 30, 2017, the Company incurred an operating loss of \$2,903,815 and loss from continuing operations of \$1,172,699. As at June 30, 2017, the Company had an accumulated deficit of \$10,622,177 since inception. On May 31, 2017, the Company completed the disposition of its subsidiary, Beijing Xingchang Xinda Technology Development Co., Ltd. (“XCXD”). The operating results of XCXD have been presented as a discontinued operation for the three and six months ended June 30, 2017 and 2016. On February 3, 2017, the Company entered into a share purchase agreement to purchase an aggregate of 60% equity interest in AMZON. See Note 5 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 deem to be in the Company’s best interest.

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

FIRESWIRL TECHNOLOGIES INC.
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(Unaudited)
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expenses that would be necessary should the Company be unable to continue as a going concern.

Judgements and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

Areas of significant judgement and estimates made by management for the three and six months ended June 30, 2017 include estimates of fair value of assets acquired and liabilities assumed in connection with the acquisition of AMZON and estimates of the useful life of intangible assets (Note 5). Additional judgements and estimates in application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 4 of the Company's audited consolidated financial statements for the year ended December 31, 2016.

Note 3 – IFRS Standards Issued But not yet Effective

A number of new standards, amendments to standards and interpretations, are not yet effective for the three and six months ended June 30, 2017, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a complete list of new pronouncements that effect the financial statements. 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.

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(Unaudited)
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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.

Note 4 – Discontinued Operations

The Company entered into a purchase and sale agreement on February 29, 2016, amended on April 5, 2016, December 31, 2016 and in April 2017 (collectively, the “XCXD Disposition Agreement”), pursuant to which the Company 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 June 30, 2017, the Company has received RMB3,500,000 (equivalent to \$675,506) of the proceeds. There is a significant uncertainty regarding the collection of the remaining RMB1,500,000 (equivalent to \$269,503) and therefore the uncollected amount of \$269,503 has been included in impairment loss recognized on re-measurement to fair value less costs to sell as at December 31, 2016. On May 31, 2017, the disposition of XCXD was completed and the Company received 6,058,673 common shares which were cancelled in June 2017.

All of XCXD’s revenues are generated in China and all of XCXD’s assets are located in China.

The sale of XCXD represents a discontinued operation. The operating results of XCXD for the three and six months ended June 30, 2017 and 2016, and the gain on disposition of XCXD on May 31, 2017 are presented below:

FIRESWIRL TECHNOLOGIES INC.
Notes to the Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three and six months ended June 30, 2017

| | For the three months ended June 30 | | For the six months ended June 30 | |
|--|---------------------------------------|---------------|-------------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating revenue | | | | |
| Sales | \$ 14,034,355 | \$ 16,011,824 | \$ 30,583,406 | \$ 29,879,791 |
| Service revenue | 1,784,129 | 1,638,958 | 4,320,458 | 2,025,908 |
| Total operating revenue | 15,818,484 | 17,650,782 | 34,903,864 | 31,905,699 |
| Operating expenses | 15,595,201 | 18,226,558 | (38,199,685) | (32,871,845) |
| Operating income before below items | 223,283 | (575,776) | (3,295,821) | (966,146) |
| Interest and other income | 450 | 1,411 | 4,574 | 2,767 |
| Finance costs | (95,804) | (117,650) | (194,862) | (217,986) |
| Loss before income tax from discontinued | 127,929 | (692,015) | (3,486,109) | (1,181,365) |
| Income tax expense | (355) | (7,688) | (41,607) | (7,688) |
| Net loss from discontinued operations | \$ 127,574 | \$ (699,703) | \$ (3,527,716) | \$ (1,189,053) |
| Net loss from discontinued operations attributable to: | | | | |
| shareholders of the Company | \$ 63,787 | \$ (215,051) | \$ (1,763,858) | \$ (594,527) |
| Basic and diluted loss per share from discontinued operations | \$ 0.00 | \$ (0.00) | \$ (0.03) | \$ (0.01) |
| Total assets associated with XCXD disposed | | | 14,219,658 | |
| Total liabilities associated with XCXD disposed | | | (16,288,438) | |
| Non-controlling interest associate with XCXD disposed | | | 553,954 | |
| Accumulated other comprehensive income associated with XCXD realized | | | (9,161) | |
| Net liabilities associated with XCXD disposed | | | (1,523,987) | |
| Fair value of 6,058,673 common shares of the Company received | | | 272,613 | |
| Gain on disposition of XCXD | | | \$ 1,796,600 | |

The net cash flows from XCXD for the six months ended June 30, 2017 and 2016 are as follows:

| | For the six months ended June 30 | |
|---------------------------------------|-------------------------------------|--------------|
| | 2017 | 2016 |
| Net cash from operating activities | \$ (1,463,889) | \$ 1,386,767 |
| Net cash used in investing activities | (930,046) | (15,507) |
| Net cash used in investing activities | 1,608,284 | (520,194) |
| Net cash (outflow) inflow | \$ (785,652) | \$ 851,066 |

The major classes of assets and liabilities of XCXD classified as held for sales as at June 30, 2017 and December 31, 2016 are as follows:

FIRESWIRL TECHNOLOGIES INC.
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| | June 30, 2017 | December 31, 2016 |
|---|------------------|------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 901,437 | \$ 762,501 |
| Restricted cash (i) | 1,082,781 | 1,052,232 |
| Accounts receivable | 1,956,811 | 5,282,485 |
| Taxes recoverable | 863,320 | - |
| Deposits and prepayments | 2,040,148 | 534,768 |
| Inventory | 7,375,161 | 7,289,706 |
| | 14,219,658 | 14,921,692 |
| Assets disposed | (14,219,658) | - |
| Total assets held for sale (ii) | \$ - | \$ 14,921,692 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ (2,113,033) | \$ (2,580,563) |
| Due to a related party (iii) | (1,807,191.00) | (15,267) |
| Short term loans (iv) | (12,368,214) | (10,440,235) |
| | (16,288,438) | (13,036,065) |
| Liabilities disposed | 16,288,438 | - |
| 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 associate with the assets held for sale | - | \$ (1,222,696) |
| Net (liabilities) assets held for sale | \$ - | \$ 640,979 |

- (i) Restricted cash represents the cash deposits as a security with financial institutions for XCXD's short term loan accounts (below (iv)). 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 assets held for sale to their fair value less costs to sell. Such fair value was 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 ended December 31, 2016.
- (iii) Due to a related party represents the balance owing to a shareholder of XCXD.
- (iv) Short term loans represent various revolving credit facilities and short term bank loans. These loans were secured by XCXD's restricted cash ((i) above) and apartments owned by XCXD's management.

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(Unaudited)
For the three and six months ended June 30, 2017

Note 5 – Acquisition of AMZON

On February 3, 2017, the Company entered into a share purchase agreement, pursuant to which the Company agreed to purchase an aggregate of 60% equity interest in AMZON for a total of HK\$7.2 million (approximately \$1.2 million) in three payment dates. The closing date is each of the first, second and third payment date. On March 16, 2017, the Company completed the first payment (the “First Payment Date”) in the amount of HK\$4.8 million (equivalent to \$823,560) and acquired 40% of the equity interest in AMZON. On April 21, 2017, the Company completed the second payment (the “Second Payment Date”) in the amount of HK\$1.2 million (equivalent to \$208,438) and acquired additional 10% of the equity interest in AMZON. On May 15, 2017, the Company completed the third payment (the “Third Payment Date”) in the amount of HK\$1.2 million (equivalent to \$210,175) and acquired the final 10% of the equity interest in AMZON. AMZON is a private company incorporated pursuant to the laws of Hong Kong Special Administrative Region of China and is in the business of providing multimedia and interactive marketing solutions, specializing in three dimensional visualizations, computer graphics and digital design.

The acquisition of AMZON has been accounted for as a business acquisition using the acquisition method. The First Payment Date (the “Acquisition Date”) is the date of the initial acquisition of 40% of the equity interest in AMZON. The Company has appointed two of three directors of AMZON since the Acquisition Date and has *de facto* control over AMZON. There were no material operations from the First Payment Date to the Third Payment Date. These unaudited condensed interim consolidated financial statements include the results of AMZON for the period from the First Payment Date to June 30, 2017. The Company has elected to measure the non-controlling interest in the acquiree at proportionate share of its interest in the acquiree’s identifiable net assets. The Company is in the process of performing the valuation of assets acquired and liabilities assumed. The provisional purchase price allocation of the fair value of assets acquired and liabilities assumed of AMZON as at the Acquisition Date were:

| | Fair value recognized on acquisition |
|--|---|
| Cash | \$ 244,039 |
| Trade receivables | 8,152 |
| Equipment | 12,743 |
| Due from a director | 169,622 |
| Intangible assets (provisional) | 1,980,066 |
| Accounts payable and accrue liabilities | (88,630) |
| Deferred tax liability | (326,711) |
| Total identifiable net assets at fair value | 1,999,281 |
| Non-controlling interest (60% of net assets) | (799,712) |
| Goodwill arising on acquisition (provisional) | 42,604 |
| Purchase consideration transferred | \$ 1,242,173 |
| | |
| Consideration paid (HK\$4,800,000) | \$ 1,242,173 |
| | |
| Net cash acquired with the subsidiary | \$ 244,039 |
| Cash paid | (1,242,173) |
| Net cash flow on acquisition | \$ (998,134) |

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Intangible assets mainly comprise the proprietorship of know-how and contract list and have an estimated useful life of 5 years. For the six months ended June 30, 2017, the Company has recorded an amortization in the amount of \$117,174 towards to the intangible assets. Deferred tax liability comprises the tax effect of the temporary difference of the accounting and tax base of the intangible assets acquired. Goodwill recognized is primary attributed to the expected synergies and other benefits from combining the assets and liabilities of AMZON. Goodwill is not deductible for tax purposes.

From the date of acquisition, AMZON has contributed \$105,510 of the revenue and \$287,880 to the net loss before income tax from continuing operations. If the acquisition had taken place at the beginning of the period, revenue from continuing operations would have been \$306,107 and the loss before income tax from continuing operations for the three and six months ended June 30, 2017 would have been \$648,903 and \$1,145,184, respectively.

Note 6 – Trade and Other Receivables

| | June 30, 2017 | December 31, 2016 |
|-----------------------------|------------------|----------------------|
| Trade and other receivables | \$ 66,843 | \$ 10,231 |
| VAT/GST receivable | 9,860 | 36,103 |
| | \$ 76,703 | \$ 46,334 |

Note 7 – Non-controlling Interest

As at June 30, 2017, non-controlling interest (“NCI”) represents 40% interest in AMZON (Note 5) only. The Company completed the XCXD disposition on May 31, 2017 (Note 4). The continuity of NCI is summarized below:

| | |
|---|-------------------|
| Balance, December 31, 2015 | \$ 98,643 |
| Net income attributable to non-controlling interest | 1,150,065 |
| Other comprehensive loss attributable to non-controlling interest | (26,012) |
| Balance, December 31, 2016 | 1,222,696 |
| Non-controlling interest in connection with the acquisition of AMZON (Note 5) | 799,712 |
| Net loss attributable to non-controlling interest | (1,943,843) |
| Other comprehensive loss attributable to non-controlling interest | (13,675) |
| Disposition of XCXD (Note 4) | 553,954 |
| Balance, June 30, 2017 | \$ 618,844 |

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Note 8 – Share Capital

a) Share capital

(i) Authorized:

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

(ii) Issued and outstanding:

The Company had 47,512,612 and 53,571,285 common shares issued and outstanding as at June 30, 2017 and December 31, 2016, respectively. As discussed in Note 4, the Company completed the disposition of XCXD and received 6,058,673 common shares, which were cancelled in June 2017.

b) Stock option plan

The Company has established a 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.

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

| | June 7, 2017 |
|-----------------------------------|---------------------|
| | Grant |
| Expected life of options in years | 5 years |
| Weighted average volatility | 138% |
| Risk free interest rate | 1.26% |
| Expected dividend yield | 0% |
| Estimated forfeiture rate | 0% |

Option pricing models require the input of highly subjective assumptions including the expected volatility. The Company's expected volatility is based on historical volatility of the Company's share price.

For the three and six months ended June 30, 2017, share-based compensation in the amounts of \$21,493 and \$28,705, respectively (three and six months June 30, 2016 – \$31,552 and \$33,724) were recognized as general administration expenses in the Company's consolidated statements of income (loss).

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The following is a summary of stock options transactions:

| | Number of options | Weighted average exercise price (\$) |
|---|----------------------|---|
| Balance, December 31, 2015 | 1,520,000 | 0.14 |
| Granted | 2,500,000 | 0.05 |
| Forfeited/expired | (1,220,000) | 0.01 |
| Balance, December 31, 2016 and March 31, 2017 | 2,800,000 | 0.06 |
| Granted | 1,300,000 | 0.05 |
| Balance, June 30, 2017 | 4,100,000 | 0.05 |

The following table summarizes information about stock options outstanding as at June 30, 2017:

| Exercise Price (\$) | Options Outstanding | | Options Exercisable | |
|---------------------|----------------------|---|----------------------|---|
| | Number of options | Remaining contractual life (Years) | Number of options | Remaining contractual life (Years) |
| 0.05 | 1,300,000 | 4.94 | 650,000 | 4.94 |
| 0.05 | 2,500,000 | 3.91 | 2,500,000 | 3.91 |
| 0.09 | 200,000 | 2.95 | 200,000 | 2.95 |
| 0.12 | 100,000 | 2.76 | 100,000 | 2.76 |
| | 4,100,000 | 4.16 | 3,450,000 | 4.16 |

Note 9 – Related Party Transactions

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

a) Due to related parties

| | June 30,, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| Due to a director (i) | \$ 222,760 | \$ - |
| Due from a director of AMZON (iii) | 2,522 | - |
| | 225,282 | - |
| Amounts due to directors included in accounts payable (ii) | 31,358 | 24,791 |
| Total | \$ 256,640 | \$ 24,791 |

- (i) Amount due to a director represents a director loan in the amount of RMB1,140,000 (equivalent to \$218,196) and the accrued interest of \$4,564. This loan is unsecured,

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bearing an interest of approximately 22% per annual and the expected repayment date is December 31, 2017.

- (ii) Amounts due to directors included in accounts payables are unsecured, non-interest bearing and have no specific repayment date.
- (iii) Amount due from a director of AMZON is unsecured, non-interest bearing and has no specific repayment date.

b) Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three and six months ended June 30, 2017 and 2016 is as follows:

| | For the three months ended June 30 | | For the six months ended June 30 | |
|--------------------------------|---------------------------------------|------------|-------------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Salaries and fees | | | | |
| - Salaries and consulting fees | \$ 96,875 | \$ 143,750 | \$ 291,875 | \$ 218,750 |
| - Director fees | 7,333 | 38,000 | 45,333 | 46,000 |
| | 104,208 | 181,750 | 337,208 | 264,750 |
| Share-based compensation | 20,005 | 30,320 | 26,929 | 32,492 |
| Total | \$ 124,213 | \$ 212,070 | \$ 364,137 | \$ 297,242 |

Key management personnel were not paid post-employment benefits or other long-term benefits during the three and six months ended June 30, 2017 and 2016.

Note 10 – Segmented Information

The Company operates in one segment, being the operation of providing multimedia and interactive marketing solutions. Substantially all of the Company's revenues were generated in China.

The Company's long-term assets in geographical location as at June 30, 2017 and December 31, 2016 are as follows:

| June 30, 2017 | China | Canada | Total |
|------------------------|--------------|------------|--------------|
| Property and equipment | \$ 7,300 | \$ 2,516 | \$ 9,816 |
| Investment | - | 150,000 | 150,000 |
| Goodwill | 42,604 | - | 42,604 |
| Intangible assets | 1,862,892 | - | 1,862,892 |
| Total | \$ 1,912,796 | \$ 152,516 | \$ 2,065,312 |

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

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Note 11 – Financial Instruments

a) Fair value estimation of financial instruments

The Company's financial assets include (i) cash and cash equivalents, and trade and other receivables which are classified as loans and receivable; and (ii) investment which is classified as available for sale. The Company's financial liabilities include accounts payable and accrued liabilities, and due to related parties which are all classified as financial liabilities at amortized cost.

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. EMP is a private entity. The fair value of the investment in EMP is measured based on observing the recent equity financing completed by EMP. The Company did not have financial liabilities measured at fair value on a recurring basis.

b) 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 June 30, 2017, the Company had total debt in the amount of \$1,242,598 and working capital of \$113,115.

Note 12 – Commitments

The Company has entered operating leases for its head office premise. The lease will expire in April 2018. Future aggregate minimum lease payment under non-cancellable operation lease is approximately \$13,567.

Note 13 – 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 14 – Comparative Figures

Certain items for the three and six months ended June 30, 2016 have been reclassified to conform to the current year's presentation.

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Note 15 – Subsequent Events

The Company has evaluated events subsequent to June 30, 2017 through to the date of approval of the unaudited condensed interim consolidated financial statements by the Board of Directors for disclosure. There were no material subsequent events requiring disclosure.