

GLORIOUS CREATION LIMITED

Consolidated Financial Statements (Expressed in Canadian dollars)

For the years ended December 31, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Glorious Creation Limited

We have audited the accompanying consolidated financial statements of Glorious Creation Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Glorious Creation Limited's ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 24, 2018

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

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	269,562	133,408
Amounts receivable (Note 7)	63,459	82,754
Due from related parties (Note 13)	-	4,437
Inventory (Note 9)	44,144	-
Prepaid expenses (Note 8)	68,835	12,845
Total current assets	446,000	233,444
Investment in associate (Note 17)	15,281	15,592
Capital assets (Note 11)	176,679	32,150
Total assets	637,960	281,186
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	103,798	114,661
Due to related parties (Note 13)	21,229	30,713
Due to associate (Note 17)	109,941	119,417
Loans (Note 10)	14,852	69,280
Total current liabilities	249,820	334,071
Shareholders' equity (deficiency)		
Share capital (Note 12)	2,382,148	1,028,752
Reserve (Note 12)	276,505	-
Accumulated other comprehensive loss	(9,225)	(20,396)
Deficit	(2,169,521)	(1,017,332)
Equity (deficiency) attributable to shareholders	479,907	(8,976)
Non-controlling interest (Note 16)	(91,767)	(43,909)
Total shareholders' equity (deficiency)	388,140	(52,885)
Total liabilities and shareholders' equity (deficiency)	637,960	281,186

Nature of operations (Note 1)

Basis of preparation and going concern (Note 2)

Events subsequent to the reporting period (Note 21)

On behalf of the Board:

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

Glorious Creation Limited

Consolidated Statements of Loss

Expressed in Canadian dollars

For the years ended December 31,

	2017	2016
	\$	\$
Revenue		
Sales of goods	9,421	75,478
Costs of goods sold	(13,475)	(152,512)
Service income	23,805	36,496
Service costs	(24,186)	(3,484)
Selling expenses	(26,037)	-
Gross profit (loss)	(30,472)	(44,022)
General and administrative expenses		
Amortization (Note 11)	17,724	14,565
Accounting and auditing	126,249	122,866
Bad debts	27,143	-
Director fees	12,000	-
Legal	178,011	101,745
Loan interest	6,045	5,462
Management fees (Note 13)	140,090	152,279
Office and miscellaneous	79,074	90,080
Rent	72,642	53,025
Registration and filing	26,205	-
Salaries and benefits	148,549	128,597
Share-based compensation (Notes 12 and 13)	238,058	-
Transfer agent	7,748	-
Travel and related	63,126	49,631
Impairment of intangible assets (Note 5)	26,600	-
Recapitalization expense (Note 6)	-	21,775
Total general and administrative expenses	(1,169,264)	(740,025)
Equity loss from associate (Note 17)	(311)	(484)
Net loss for the year	(1,200,047)	(784,531)
Net loss attributable to		
Shareholders of the Company	(1,152,189)	(749,502)
Non-controlling interest (Note 16)	(47,858)	(35,029)
Weighted average number of common shares outstanding	34,877,251	11,886,226
Basic and diluted loss per common share	(0.03)	(0.06)

Glorious Creation Limited

Consolidated Statements of Comprehensive Loss

Expressed in Canadian dollars

For the years ended December 31,

	2017	2016
	\$	\$
Net loss for the year	(1,200,047)	(784,531)
Other comprehensive income (loss)		
Exchange difference on translating foreign operations	11,171	(14,082)
Comprehensive loss	(1,188,876)	(798,613)
Comprehensive loss attributable to		
Shareholders of the Company	(1,141,018)	(763,584)
Non-controlling interest	(47,858)	(35,029)

Glorious Creation Limited

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Expressed in Canadian dollars

Share Capital							
	Number of common shares	Amount \$	Reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Non- controlling interest \$	Total \$
Balance, December 31, 2015	10,167,940	342,486	-	(6,313)	(267,830)	(8,880)	59,463
Shares issued for cash	1,832,060	68,266	-	-	-	-	68,266
Shares issued for RTO	10,000,001	600,000	-	-	-	-	600,000
Share subscriptions received prior to RTO	-	(568,225)	-	-	-	-	(568,225)
Private placement	9,770,414	586,225	-	-	-	-	586,225
Loss for the year	-	-	-	-	(749,502)	(35,029)	(784,531)
Foreign currency translation difference	-	-	-	(14,083)	-	-	(14,083)
Balance, December 31, 2016	31,770,415	1,028,752	-	(20,396)	(1,017,332)	(43,909)	(52,885)
Private placement	1,729,586	103,775	-	-	-	-	103,775
Share issued for IPO	4,722,000	1,416,600	-	-	-	-	1,416,600
Share issuance costs	-	(166,979)	38,447	-	-	-	(128,532)
Share-based compensation	-	-	238,058	-	-	-	238,058
Loss for the year	-	-	-	-	(1,152,189)	(47,858)	(1,200,047)
Foreign currency translation difference	-	-	-	11,171	-	-	11,171
Balance, December 31, 2017	38,222,001	2,382,148	276,505	(9,225)	(2,169,521)	(91,767)	388,140

Glorious Creation Limited

Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the years ended December 31,

	2017	2016
	\$	\$
Operating activities		
Net loss for the year	(1,200,047)	(784,531)
Non-cash items:		
Amortization	17,724	14,565
Equity loss from associate	311	484
Share-based compensation	238,058	-
Bad debts	27,143	-
Impairment of intangible assets	26,600	-
Recapitalization expense	-	21,755
Changes in non-cash working capital items:		
Amounts receivable	4,909	(16,302)
Prepaid expenses	(57,290)	96,057
Accounts payable and accrued liabilities	(58,820)	110,149
Inventories	(40,434)	-
Due to/from related parties	(5,047)	57,709
Total cash used in operating activities	(1,046,893)	(500,114)
Investing activities		
Purchase of capital assets	(152,863)	(9,456)
Cash assumed upon the acquisition of Glorious Canada	-	96,448
Cash assumed upon the acquisition of KTT	829	-
Cash paid to acquire KTT	(6,600)	-
Funds advanced to Glorious Canada prior to RTO	-	(116,607)
Total cash used in investing activities	(158,634)	(29,615)
Financing activities		
Proceeds from loan	177,538	-
Advances from a related party	72,290	-
Repayment of advances from a related party	(72,290)	-
Repayment of loan	(227,170)	-
Due to/from associate	(968)	(251)
Proceeds from share issuance, net of issue costs	1,391,844	654,491
Total cash provided by financing activities	1,341,244	654,240
Change in cash	135,717	124,511
Effect of exchange rate changes on balance of cash held in foreign currencies	437	(16,377)
Cash, beginning of the year	133,408	25,274
Cash, end of the year	269,562	133,408

Supplement disclosure with respect to cash flows (Note 19)

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2017 and 2016

1. NATURE OF OPERATIONS

Glorious Creation Limited (the “Company”) was incorporated under the Canada Business Corporations Act on December 24, 2015. Through a share exchange arrangement (Note 5), the Company acquired Glorious IT Creation Limited (“Glorious HK”), a company incorporated under the laws of Hong Kong on July 19, 2011. Glorious HK is involved mainly in trading and the internet technology and service business in Vietnam. In January 2017, Glorious HK incorporated Shenzhen Qianhai Glorious Creation Co. (“Glorious SZ”), Ltd., a wholly-owned subsidiary in Shenzhen, China. The subsidiary was set up for developing business in China.

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

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

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 24, 2018.

Basis of measurement

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

Functional and presentation currency

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

Consolidation

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

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2017 and 2016

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Consolidation (continued)

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

Details of the Company's subsidiaries are as follows:

Name	Date of incorporation or acquisition	Location	Principal activities	Ownership	
				December 31, 2017	December 31, 2016
Glorious IT Creation Limited ("Glorious HK")	July 19, 2011	Hong Kong, China	Asian head office	100%	100%
Shenzhen Qianhai Glorious Creation Co., Ltd. ("Glorious SZ")	January 3, 2017	Shenzhen, China	Virtual cross-border business platform	100%	-
Shenzhen Glorious Internet Co., Ltd. ("Glorious Internet")	October 23, 2017	Shenzhen, China	IT development	100%	-
Glorious (Vietnam) Company Limited ("Glorious Vietnam")	January 18, 2012	Ho Chi Minh City, Vietnam	Internet technology services	86%	86%
Glorious (Vietnam) Trading Company Limited (formerly Khai Tam Tri Limited) ("KTT")	December 7, 2017	Ho Chi Minh City, Vietnam	Retail	86%	-
VnTrans Limited ("VnTrans")	September 29, 2014	Ho Chi Minh City, Vietnam	Transportation and logistic management	72%	72%

Going concern

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

The Company currently has generated revenue from hardware and software sales, installation and implementation services, staff training, and monthly access and maintenance services. However, it has only a few customers and has not developed a mature line of business. As of December 31, 2017, the Company has an accumulated deficit of \$2,169,521. Contributing uncertainties to the Company being a going concern include, but are not limited to, the Company's current working capital which limits the Company's ability to advertise their product offerings. Additional financing will be required in order to expand the Company's operations. A portion of the Company's operating assets and sales originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may adversely affect the Company's business, financial condition and results of operations and may result in the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern.

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2017 and 2016

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Going concern (continued)

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Going concern evaluation

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

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

(ii) Functional currencies

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

(iii) Business acquisition

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

(iv) Investment in associate

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

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

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2017 and 2016

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(i) Inventories

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

(ii) Income taxes

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

(iii) Valuation and useful lives of capital assets

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

(iv) Revenue recognition

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

(v) Share-based payments

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

4. SIGNIFICANT ACCOUNTING POLICIES

Business combination

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

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2017 and 2016

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Transactions and balances

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

Non-controlling Interests

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

Investment in associate

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

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

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

Glorious Creation Limited

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Revenue recognition

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

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

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

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

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

Warranty costs

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

The accounting for warranties requires management to make assumptions and apply judgments when estimating product failure rates and expected costs. As of December 31, 2017 and 2016, no warranty liabilities are accrued.

Capital assets

Recognition and Measurement

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

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

Glorious Creation Limited

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

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

Subsequent Costs

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

Major Maintenance and Repairs

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

Gains and Losses

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

Amortization

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

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

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-financial Assets (continued)

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Share capital

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

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

Glorious Creation Limited

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

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

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

Loss per share

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

Provisions

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

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as follows:

i. Financial assets

Financial assets held by the Company include cash, amounts receivable and due from related parties. Cash is measured at fair value through profit or loss and changes to fair value subsequent to initial recognition are recorded in net income for the period in which they occur. Amounts receivable and due from related parties are classified as loans and receivables, which are recorded at amortized cost using the effective interest rate method. Under this classification, all cash flows from these financial instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows and this accretion is recorded as interest income.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii. Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the fair value or estimated future cash flows of an asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

iii. Financial liabilities

Financial liabilities comprise accounts payable and accrued liabilities, due to related parties, due to associate and loans, which are classified as financial liabilities measured at amortized cost using the effective interest rate method. Under this classification, all cash flows from these financial instruments are discounted, where material, to their present value. Over time, this present value is accreted to the future value of remaining cash flows, and this accretion is recorded as interest expense.

Future changes in accounting policies

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

(a) IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – “*Financial Instruments: Recognition and Measurement*” in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

(b) IFRS 15, Revenue from Contracts with Customers

IFRS 15 contains new standards on revenue recognition that will supersede IAS 18, *Revenue*, IAS 11, *Construction Contracts* and related interpretations. These standards are effective for the fiscal periods beginning on or after January 1, 2018.

(c) IFRS 16, Leases

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

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5. BUSINESS COMBINATION

On December 7, 2017, Glorious Vietnam acquired 100% of KTT by paying VND120,000,000 (\$6,600)

The purchase price has been allocated as follows:

	\$
Cash assumed	829
Receivables	12,757
Inventory	35,612
Capital assets	9,394
Amounts payable to Glorious Vietnam	(97,792)
Intangible assets	<u>26,600</u>
	<u>6,600</u>

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

6. REVERSE TAKEOVER TRANSACTION (“RTO”)

The Company was incorporated under the Canada Business Corporations Act on December 24, 2015 by Yuk Kan Kong (the “Principal”) of the Company. On April 25, 2016, the Company issued 10,000,001 founders’ shares.

Glorious IT Creation Limited (“Glorious HK”) was incorporated under the laws of Hong Kong on July 19, 2011. Glorious HK is involved mainly in trading and the internet technology and service business in Vietnam. It owns two subsidiaries in Vietnam: an 86% interest in Glorious (Vietnam) Company Limited (“Glorious Vietnam”) and a 72% interest in VnTrans Limited (“VnTrans”)

As of December 14, 2016, Glorious HK had 2,620,001 shares issued and outstanding, of which 920,001 was owned by the Principal, who is the largest shareholder and also the sole director and officer of Glorious HK.

Effective December 15, 2016, the Company, Glorious HK and the shareholders of Glorious HK completed a share exchange. The shareholders of Glorious HK exchanged their 100% interest in the shares of Glorious HK in return for an aggregate of 12,000,000 shares (the “Transaction”) of the Company. The Company exchanged its common shares for the shares of Glorious HK at a ratio of 4.5802 common shares of the Company for each Glorious HK share. As a result of the Transaction, Glorious HK became a wholly owned subsidiary of the Company.

The transaction has been treated as an RTO that was not a business combination and effectively a capital transaction of the Company. Prior to giving effect to the Transaction, the Company’s issued and outstanding share capital consisted of 10,000,001 common shares with a fair value at \$600,000 as per the stock price of the private placements closed subsequently on December 30, 2016.

Because the former shareholders of Glorious HK obtained control of the Company, the Transaction is considered a purchase of the Company’s operations by Glorious HK and is accounted for as a re-capitalization. As Glorious HK is deemed to be the acquirer for accounting purposes, its assets and liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying value. The Company’s results of operations are included from the date of the transaction onwards. The legal capital continues to be that of Glorious Canada, the legal parent. These financial statements are a continuation of those of Glorious HK.

Glorious Creation Limited

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6. REVERSE TAKEOVER TRANSACTION (“RTO”) (continued)

The determination and allocation of the purchase prices is summarized below:

Purchase price	\$ 600,000
Allocation of purchase price:	
Net assets	578,225
Recapitalization expense	21,775
	<u>600,000</u>

7. AMOUNTS RECEIVABLE

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

	December 31, 2017	December 31, 2016
	\$	\$
VAT receivable	43,338	14,637
GST receivable	15,757	1,441
Service income receivable	4,364	-
Receivable on recovery of leasehold improvement	-	52,190
Short term advances	-	14,486
Total amounts receivable	<u>63,459</u>	<u>82,754</u>

The Company’s amounts receivable arise from two main sources: value-added taxes (“VAT”) paid on purchases in Vietnam and Goods and Services Tax (“GST”) paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns. The majority of the receivable on recovery of leasehold improvement outstanding as at December 31, 2016 was due from KTT and this amount is treated as intercompany receivable and eliminated at consolidation as at December 31, 2017.

8. PREPAID EXPENSES

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

	December 31, 2017	December 31, 2016
	\$	\$
Rent deposit and prepaid rent	54,802	11,379
Prepaid directors’ and officers’ insurance	12,500	-
Other prepaids	1,533	1,466
Total prepaid expenses	<u>68,835</u>	<u>12,845</u>

Glorious Creation Limited

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9. INVENTORY

Inventory was comprised of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Agricultural products and food	2,608	-
Paint	5,514	-
Electronic products	36,022	-
Total inventory	44,144	-

10. LOANS

In December 2015, the Company borrowed HKD400,000 from four shareholders. The loans were used to purchase energy saving equipment which was sold in 2016. The loan was non-secured, bore interest at a rate of 8% per annum and had a two year term. The loan principal and interest were fully repaid in October 2017.

From March to July 2017, the Company received loans of HKD990,000 from certain shareholders. The loans are non-secured, bears interest at 8% per annum, and have no fixed term of repayment. In September and October 2017, the Company fully repaid HKD990,000 of principal and HKD31,675 (\$5,068) of interest.

The Company entered into a loan agreement with HSBC on October 30, 2017, whereby it received a loan of HKD110,000 from HSBC for a period of 12 months. The loan bears interest of 9.60% per annum and is payable at a fixed amount of HKD10,047 per month. As of December 31, 2017, the loan balance was HKD92,487 (\$14,852).

The Company's significant financing transactions are as follows:

	2017	2016
	\$	\$
Balance, beginning of the year	69,280	71,574
Advances	177,538	-
Repayments	(232,699)	-
Interest expenses	5,529	-
Foreign exchange	(4,796)	(2,294)
Balance, end of the year	14,852	69,280

Glorious Creation Limited

Notes to the Consolidated Financial Statements

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11. CAPITAL ASSETS

	Computer equipment	Office furniture and fixtures	Computer software	Leasehold improvement	Total
	\$	\$	\$	\$	\$
Cost					
Balance, December 31, 2015	33,991	1,412	3,464	7,239	46,106
Additions	4,292	286	-	5,458	10,036
Disposals	-	-	-	-	-
Balance, December 31, 2016	38,283	1,698	3,464	12,697	56,142
Additions	58,128	352	-	103,773	162,253
Disposals	-	-	-	-	-
Balance, December 31, 2017	96,411	2,050	3,464	116,470	218,395
Accumulated amortization					
Balance, December 31, 2015	5,911	694	1,868	374	8,847
Additions	9,597	563	1,276	3,709	15,145
Disposals	-	-	-	-	-
Balance, December 31, 2016	15,508	1,257	3,144	4,083	23,992
Additions	8,604	426	320	8,374	17,724
Disposals	-	-	-	-	-
Balance, December 31, 2017	24,112	1,683	3,464	12,457	41,716
Carrying amounts					
At December 31, 2016	22,775	441	320	8,614	32,150
At December 31, 2017	72,299	367	-	104,013	176,679

12. SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital

Authorized:

Unlimited common shares without par value

As of December 31, 2017, the Company has 38,222,001 (December 31, 2016 – 31,770,415) common shares outstanding, of which 12,702,371 (2016 – nil) common shares are held in escrow.

Glorious Creation Limited

Notes to the Consolidated Financial Statements

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12. SHAREHOLDERS' EQUITY (DEFICIENCY) (continued)

Share capital (continued)

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

- 1) Issued 1,729,586 shares at \$0.06 per share for total proceeds of \$103,775;
- 2) On August 31, 2017, the Company completed its initial Public Offering ("IPO") and issued 4,722,000 common shares at a price of \$0.30 per share for total proceeds of \$1,416,600. Pursuant to an Agency Agreement between the Company and Mackie Research Capital Corp. (the "Agent"), the Agent received a cash commission of \$62,844 and a corporate finance fee of \$35,000. The Company also incurred legal and other expenses of \$30,688 in connection with the IPO. Effective September 5, 2017, the date that the Company's common shares are listed for trading on the CSE, the Company issued Agent's warrants to acquire 209,480 common shares at \$0.30 per share exercisable up until September 5, 2019. The fair value (\$38,447) of the Agent's warrants was included in share issue costs.

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

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

Prior to the share exchange completed on December 15, 2016 (Note 6), the share capital represents shares issued in Glorious HK. During the year ended December 31, 2016:

- 1) Glorious HK issued 1,832,060 common shares (400,000 pre-RTO common shares at HKD1 per share) for total proceeds of \$68,266 (HKD400,000);
- 2) The Company issued 12,000,000 shares in exchange for 100% of the issued and outstanding shares of Glorious HK (Note 6);
- 3) The Company issued 9,770,414 common shares at \$0.06 per share for total proceeds of \$586,225.

Glorious Creation Limited

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12. SHARE HOLDERS' EQUITY (DEFICIENCY) (continued)

Share capital (continued)

As of December 15, 2016, Glorious HK had a total of 2,620,001 pre-RTO shares issued and outstanding which were all exchanged for 12,000,000 shares of the Company.

The Company issued 12,000,000 common shares for the 2,620,001 outstanding shares of Glorious HK at the time of share exchange. The issued number of common shares of Glorious HK up to the RTO has been adjusted to reflect the exchange ratio established in the RTO transaction of 1 common share of Glorious HK for 4.5802 common shares of the Company.

Stock options

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

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

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

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

Weighted average assumptions	2017	2016
Risk free interest rate	1.55%	-
Volatility	125%	-
Expected life of options	5 years	-
Dividend rate	0%	-

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015 and 2016	-	\$ -
Granted	3,320,000	\$ 0.31
Balance, December 31, 2017	3,320,000	\$ 0.31
Exercisable, at December 31, 2017	332,000	\$ 0.31

Glorious Creation Limited

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12. SHAREHOLDERS' EQUITY (DEFICIENCY) (continued)

Stock options (continued)

As at December 31, 2017, the following incentive stock options are outstanding:

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

Warrants

At the closing of the IPO, the Company issued 209,480 Agent's warrants to acquire common shares at \$0.30 per share exercisable up until September 5, 2019.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2015 and 2016	-	\$ -
Issued	209,480	0.30
Balance, at December 31, 2017	209,480	\$ 0.30
Exercisable, at December 31, 2017	209,480	\$ 0.30

As at December 31, 2017, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
209,480	\$ 0.30	September 5, 2019

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13. RELATED PARTY TRANSACTIONS

- a) During the year ended December 31, 2017, the Company paid or accrued fees of \$74,243 (2016 - \$96,596) to the CEO of the Company. As of December 31, 2017, \$5,756 (December 31, 2016 - \$3,257 owing from) was owed to the CEO. During the year ended December 31, 2017, the CEO advanced funds totaling \$72,290 (2016 - \$Nil) to the Company which was fully repaid before the year end.
- b) During the year ended December 31, 2017, the Company paid or accrued fees of \$65,847 (2016 - \$55,683) to a company controlled by the CFO of the Company. As of December 31, 2017, \$12,373 (December 31, 2016 - \$20,213) was owed to the company controlled by the CFO.
- c) During the year ended December 31, 2017, the Company paid or accrued directors' fees of \$12,000 (2016 - \$Nil) to three directors. As of December 31, 2017, \$3,100 (December 31, 2016 - \$Nil) was owed to the directors.
- d) During the year ended December 31, 2016, the Company paid or accrued fees of \$10,000 in office and miscellaneous expenses to two companies controlled by two directors respectively for the preparation of a business plan. As of December 31, 2017, \$Nil (December 31, 2016 - \$10,500) was owed to the two companies.
- e) During the year ended December 31, 2017, 1,550,000 stock options (2016 - Nil) were granted to directors and officers having a fair value on issuance of \$402,580 (2016 - \$Nil), of which \$111,047 (2016 - \$Nil) was amortized in the year ended December 31, 2017.
- f) During the year ended December 31, 2017, \$Nil (2016 - \$1,180) was owed from a shareholder of VnTrans.

Key Management Compensation

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

Other than the transactions disclosed above, there was no other compensation paid to key management during the years ended December 31, 2017 and 2016.

14. CAPITAL RISK MANAGEMENT

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

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

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

Glorious Creation Limited

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2017, the Company's financial instruments comprised cash, amounts receivable, due to/from related parties, accounts payable and accrued liabilities, due to associate and loans. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2017, the fair value of cash held by the Company was based on level 1 of the fair value hierarchy.

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk, liquidity risk, interest rate risk, and price risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. As of December 31, 2017, the Company's maximum exposure to credit risk is limited to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions in Hong Kong and Canada. The Company wires funds to Vietnamese subsidiaries according to a detailed budget and maintains a low level of cash balances in its Vietnamese banks.

The Company is exposed to credit risk on trade receivables. The Company regularly reviews the collectability of its trade and other receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible amounts. As of December 31, 2017 and 2016, the Company has minimal trade receivables.

Currency risk

The Company has raised funds in Canadian dollars and Hong Kong dollars. A portion of the Company's expenses are incurred in Hong Kong dollars, Chinese RMB and the Vietnamese Dong and financial instrument balances are held in these currencies. A change in the currency exchange rates between Canadian dollars, Hong Kong dollars, Chinese RMB and Vietnamese Dong could have a negative effect on the Company's results of operations, financial position or cash flows. However, as the Company does not maintain significant cash balances in foreign currencies and settles any transactions in foreign currencies quickly, its exposure to currency risk is considered insignificant as at December 31, 2017 and 2016. As such, the Company has not hedged its exposure to currency fluctuations.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2017, the Company had a cash balance of \$269,562 to settle current liabilities of \$249,820. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs further funding to meet its short-term and long-term cash requirements.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

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

16. NON-CONTROLLING INTEREST

As of December 31, 2017 and 2016, non-controlling interest includes a 14% interest in Glorious Vietnam and its subsidiary KTT, and a 28% interest in VnTrans.

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

	December 31, 2017	December 31, 2016
	\$	\$
Non-controlling interest, beginning of year	(43,909)	(8,880)
Share of loss – Glorious Vietnam and KTT	(42,493)	(32,268)
Share of loss – VnTrans	(5,365)	(2,761)
Non-controlling interest, end of year	(91,767)	(43,909)

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

	December 31, 2017	December 31, 2016
	\$	\$
Non-controlling percentage	14%	14%
Total assets	308,147	122,701
Total liabilities	(920,570)	(416,602)
Net assets (liabilities)	(612,423)	(293,901)

Summarized income statement

Loss and comprehensive loss	(313,071)	(230,495)
Loss allocated to non-controlling interest	(42,493)	(32,269)

Summarized cash flow

Cash used in operating activities	(350,682)	(207,993)
Cash used in investing activities	(124,665)	(10,368)
Cash from financing activities	477,646	222,689

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16. NON-CONTROLLING INTEREST (cont'd...)

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

	December 31, 2017	December 31, 2016
	\$	\$
Non-controlling percentage	28%	28%
Total assets	20,639	31,172
Total liabilities	(51,005)	(43,193)
Net assets (liabilities)	(30,366)	(12,021)
Summarized income statement		
Loss and comprehensive loss	(17,675)	(9,861)
Loss allocated to non-controlling interest	(5,365)	(2,760)
Summarized cash flow		
Cash used in operating activities	(14,605)	(549)
Cash used in investing activities	-	(4,514)
Cash from financing activities	15,358	2,749

17. INVESTMENT IN ASSOCIATE

The Company accounts for its investment in Transinall Limited. ("Transinall") using the equity method of accounting. As at December 31, 2017 and 2016, the Company holds a 16.1% interest in Transinall.

Investment in associate is as follows:

	2017	2016
	\$	\$
Balance, beginning of the year	15,592	16,076
Equity loss for the year	(311)	(484)
Balance, end of the year	15,281	15,592

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

	December 31, 2017	December 31, 2016
	\$	\$
Loss for the year	(1,932)	(3,002)
Comprehensive loss for the year	(8,956)	(7,222)
Current assets	111,185	122,093
Non-current assets	10,634	2,709
Total assets	121,819	124,802
Current and total liabilities	(9,634)	(1,732)
Total shareholders' equity	(112,185)	(123,070)

As of December 31, 2017, Transinall advanced cash of \$109,941 (2016 - \$119,417) to the Company and its subsidiary VnTrans. The advances bear no interest, are unsecured and have no fixed terms of repayment.

Glorious Creation Limited

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18. SEGMENTED INFORMATION

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

International trade agency and consulting

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

Virtual cross border (“VCB”) business platform

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

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

The table below provides information regarding the Company’s identified segments for the years ended December 31, 2017 and 2016:

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

Year ended December 31, 2016	International trade agency and consulting	VCB business platform	Totals
Revenue	\$ 111,974	\$ -	\$ 111,974
Operating loss	\$ 784,531	\$ -	\$ 784,531
Capital assets	\$ 32,150	\$ -	\$ 32,150

Glorious Creation Limited

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18. SEGMENTED INFORMATION (continued)

The table below provides geographic information of the Company for the years ended December 31, 2017 and 2016:

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

Year ended December 31, 2016	Canada	Hong Kong	Shenzhen, China	Vietnam	Totals
Revenue	\$ -	\$ -	\$ -	\$ 111,974	\$ 111,974
Operating loss	\$ 161,589	\$ 382,587	\$ -	\$ 240,335	\$ 784,531
Capital assets	\$ -	\$ -	\$ -	\$ 32,150	\$ 32,150

19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Other than the share exchange disclosed in notes 5 and 6, the significant non-cash transactions during the year ended December 31, 2017 included:

a) the Company issued Agent's warrants to acquire 209,480 common shares at \$0.30 per share exercisable up until September 5, 2019. The fair value (\$38,447) of the Agent's warrants was included in share issue costs;

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

There were no significant non-cash investing and financing transactions during the year ended December 31, 2016.

20. INCOME TAXES

A reconciliation of income taxes at statutory rates (2017 – 27%; 2016 – 26%) with the reported taxes is as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Loss for the year	\$ (1,200,047)	\$ (784,531)
Expected income tax recovery	(276,000)	(153,000)
Change in statutory, foreign tax, foreign exchange rates and other	(10,000)	(6,000)
Permanent difference	62,000	-
Share issue costs	(33,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non capital loss	(15,000)	-
Change in unrecognized deductible temporary differences	272,000	159,000
Total income tax expenses (recovery)	\$ -	\$ -

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Notes to the Consolidated Financial Statements

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For the years ended December 31, 2017 and 2016

20. INCOME TAXES (continued)

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

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

	December 31, 2017	December 31, 2016
Deferred tax assets (liabilities)		
Property and equipment	\$ 28,000	\$ 6,000
Non-capital losses available for future periods	442,000	198,000
	470,000	204,000
Unrecognized deferred tax assets	(470,000)	(204,000)
Net deferred tax assets	\$ -	\$ -

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

	December 31, 2017	Expiry date range	December 31, 2016	Expiry date range
Temporary Differences				
Share issue costs	\$ 103,000	2018 to 2021	\$ -	Not applicable
Non-capital losses available for future periods	\$ 2,091,000	2018 to no expiry date	\$ 1,044,000	2017 to no expiry date
Canada	\$ 661,000	2017 to 2036	\$ 162,000	2017 to 2036
China	\$ 52,000	2018 to 2023	\$ -	
Hong Kong	\$ 731,000	No expiry date	\$ 558,000	No expiry date
Vietnam	\$ 647,000	2019 to 2021	\$ 324,000	2019 to 2020

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

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

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

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

21. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the year ended December 31, 2017, the Company closed a non-brokered private placement by issuing 1,000,000 units at a price of \$0.45 per unit for total proceeds of \$450,000. Each unit consists of one common share and one share purchase warrant. Each warrant can be exercised into one common share of the Company at the price of \$0.75 per share for a period of two years. In connection with the offering, the Company will pay total finders fees of \$1,125.