

**GLORIOUS CREATION LIMITED.**  
**Management Discussion and Analysis**  
**For the Year Ended December 31, 2017**

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at April 24, 2018 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016 of Glorious Creation Limited (the “Company” or “Glorious Canada”) with the related notes thereto. Those financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

### **Forward-Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to internet and social media industry (see section “Business Risks” herein). Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

### **Description of Business**

The Company was incorporated under the *Canada Business Corporations Act* (“CBCA”) on December 24, 2015. Through a share exchange arrangement (the “Share Exchange”), the Company acquired Glorious IT Creation Limited (“Glorious IT”), a company incorporated under the laws of Hong Kong on July 19, 2011.

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”) under the symbol “GCIT”.

Glorious IT is involved mainly in trading and internet technology and service business in Vietnam. Glorious IT provides a low cost, fast, effective and reliable bridge for small and medium sized enterprises (“SMEs”) to enter Vietnam and other ASEAN (Association of South East Asian Nations) economies. Glorious IT is an international trade consultant and IT systems developer. Glorious IT has two core business lines:

- International trade agency and consulting – providing marketing and sales support, logistics and administrative services, and access to various government licenses essential for doing business in Vietnam. The Company has substantial experience in the “green” building products sector and smart building technology and systems.

- Virtual Cross Border Business Platform (“VCBBP”) - 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 VCBBP also provides a B2B online marketplace for linking SMEs in southern China and southern Vietnam.

## Corporate Structure

The Company was incorporated under the CBCA on December 24, 2015 by Yuk Kan Kong (the “Principal”) of the Company. On May 16, 2016, the Company issued 10,000,001 founders’ shares, 7,500,000 of which is to the Principal.

Glorious IT was incorporated under the laws of Hong Kong on July 19, 2011. Glorious IT is involved mainly in trading and 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 IT had 2,620,001 shares issued and outstanding, of which 920,001 shares were owned by the Principal, who was the largest shareholder and also is the sole director and officer of Glorious IT.

Effective December 15, 2016, the Company, Glorious IT and the shareholders of Glorious IT completed a share exchange. The shareholders of Glorious IT exchanged their 100% interest in the issued shares of Glorious IT 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 IT 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 IT obtained control of the Company, the Transaction is considered a purchase of the Company’s operations by Glorious IT and is accounted for as re-capitalization. As Glorious IT 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 IT.

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

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

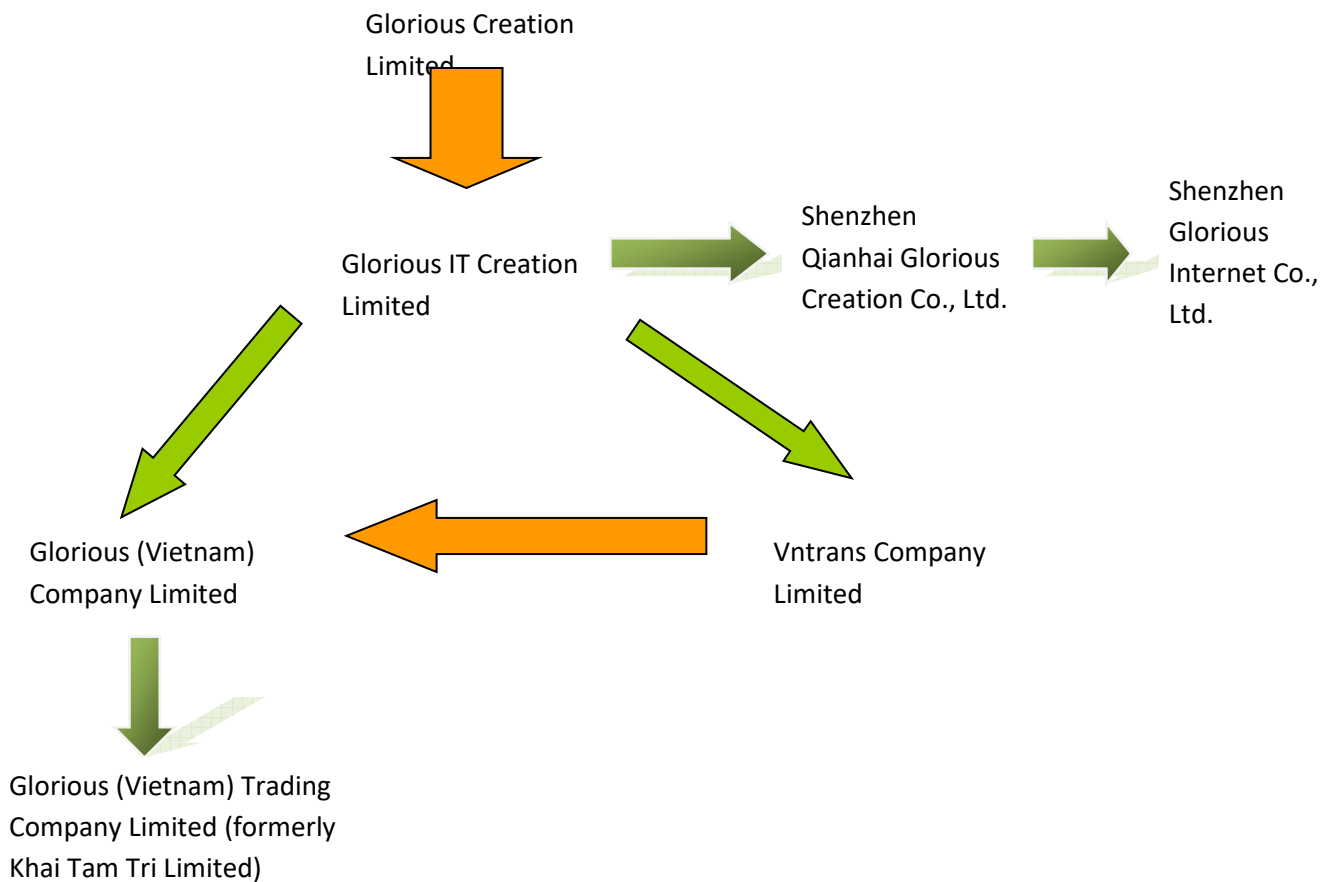
Currently, the Company owns 100% of Glorious IT, who directly owns 3 subsidiaries, 100% of Glorious Shenzhen in China, and 86% of Glorious Vietnam and 72% of VnTrans in Vietnam.

In November 2017, Glorious (Vietnam) Company Limited (“Glorious Vietnam”) acquired 100% of Khai Tam Tri Limited (“KTT”) by paying VND120,000,000 (\$6,600). KTT holds retail licenses in Vietnam and will focus on trading related business.

In October 2017, Shenzhen Qianhai Glorious Creation Co., Ltd. (“Glorious SZ”) incorporated a 100% owned subsidiary in Shenzhen, China, Shenzhen Glorious Internet Co., Ltd. (“Glorious Internet”). Glorious Internet will focus on technology development and Glorious SZ will focus on trading related business between China and Vietnam.

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%



## Overall Performance

### Initial public offering (“IPO”)

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 Agent also incurred legal and other expenses of \$28,589 towards 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.

### 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 is listed on the CSE. The options shall vest at 10% at grant, and 30% at each anniversary for 3 years.

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.

#### Memorandum of Understanding (“MOU”)

In February 2018, the Company entered into a Memorandum of Understanding (“MOU”) with BlockTech Ventures (“BlockTech”), a Vancouver based company focusing on the commercialization and acceleration of commercial blockchain technologies and platforms. BlockTech will assist the Company to complete its blockchain technology based trading platform in China and South East Asia.

#### Private Placement

In March 2018, the Company closed a non-brokered private placement by issuing 1,000,000 share units at the 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.

#### Directors and officers

##### Kong Yuk Kan – Director, Chief Executive Officer

Glorious IT, and was responsible for setting up Glorious IT in 2011. Mr. Kong has been responsible for developing the strategic vision of GCL and building the necessary infrastructure in Vietnam, Hong Kong and Mainland China to implement the Company’s business plan. Mr. Kong has travelled extensively between China, Hong Kong, Macau and Vietnam in order to establish strategic partnerships and business relationships and opportunities in each region.

Mr. Kong has over 14 years’ experience as an IT director or IT manager in various public and private companies, most notably with YesMobile H.K. (2001-2003) and Luks Group (Vietnam Holdings) Company Limited (2005 - 2011). He worked at the Saigon Trade Center in Vietnam from 2009 to 2011 for Luks Group (Vietnam Holdings) Company Limited, during which time he assisted in the development of the Optical Fiber System in the Saigon Trade Center. Mr. Kong has obtained various IT qualifications, including: Certification of Information System Security Professional, Linux Professional Certification, Computer Information Forensic Investigator, and Certificate of Cisco Network Associate. Mr. Kong received a Masters Degree from the New Asia Institute of Advanced Chinese Studies in 1996 and a Ph.D (Chinese Economic History) from Xiamen University of China in 2009.

Mr. Kong is fluent in English, Mandarin and Cantonese (oral and written). Also, although not “fluent”, he is conversant in Vietnamese.

##### Andrea Yuan – Chief Financial Officer

Ms. Andrea Yuan is a Chartered Professional Accountant (CPA), Certified General Accountant (CGA) in British Columbia and a Certified Public Accountant (CPA) in New Hampshire. Ms. Yuan obtained her Bachelor of Economics from Shanghai University of Finance and Economics in 1994. Ms. Yuan is fluent in both English and Mandarin (oral and written).

Ms. Yuan started her career as an internal auditor and then as team head of the internal audit department at the Bank of China’s Shanghai Pudong branch in China from 1994 through to 1999. After arriving in Canada in spring of 1999, Ms. Yuan worked as an accountant at a small accounting firm while she worked towards her CGA

designation. Ms. Yuan moved to Davidson and Company LLP, Chartered Accountants, in 2004 where she worked in the firm's audit group. From November 2006 until 2009, Ms. Yuan was employed as an audit manager at Davidson. From 2009 until October 2011, Ms. Yuan was employed as an audit principal at Davidson. In addition to overseeing a variety of Canadian public company audits, she was also responsible for conducting the audits of various foreign public companies including Chinese and Korean companies.

Ms. Yuan started her own financial and management consulting company Black Dragon Financial Consulting Services Inc. in November 2011. Currently, Ms. Yuan acts as Chief Financial Officer or financial consultant for several public companies listed on the TSX Venture Exchange ("TSX-V") and Canadian Securities Exchange.

#### David Austin - Director

Mr. Austin has over 30 years' Canadian reporting issuer experience. Mr. Austin currently serves as the CEO and Chairman (since October 2010) and a director (since July 2010) of Colonial Coal International Corp. (TSX-V: CAD), and was the President of its pre-amalgamation predecessor (2005 – 2008). Prior to that, Mr. Austin has served as a director and/or senior officer of several other public companies listed on the TSX-V and the Toronto Stock Exchange including serving as the President (2001 – 2004) and a director (1995 – 2009) of NEMI Northern Energy & Mining Inc. (then TSX: NNE.A). Mr. Austin was also a terminal manager with the BC Ferry Company in West Vancouver, BC.

#### Alan Foster - Director

Mr. Foster is a senior executive with over 30 years' experience in building and managing technology ventures. He has expertise in organizational leadership, business planning, sales and marketing, and product management and specializes in enterprises that deliver value added technology and software solutions to customers worldwide.

Mr. Foster is currently the Executive in Residence for Wavefront Accelerator's Venture Acceleration Program (since October 2015), an organization that provides start-ups with consulting services and resources to meet their needs for efficient business development. Mr. Foster is also a principal of Kenagel Consulting (since 2012), providing product marketing and business management consulting services to technology based companies. Previously, Mr. Foster served as the Senior Vice-President of Business Development for Simpli Innovations Inc. (2015 – 2016); the Interim Chief Financial Officer for Epic Data International Inc. (2009 – 2012), President of eXI Wireless Inc. (2001 - 2005); Chief Operating Officer for Meridex Networks (2000 - 2001); and a Director of Motorola's Mobile Data Division (1988 - 1993).

#### Ian Mallmann - Director

Mr. Mallmann has been the principal of Chagford Square Capital Inc., a corporate finance and real estate advisory firm since October 2003. Mr. Mallmann has more than 5 years of experience in serving as director, Chief Financial Officer and Chair of the Audit Committee for several PRC-based reporting issuers on the TSX-V and the Canadian Securities Exchange. He was most recently a director and audit committee chair of Symax Lift (Holding) Co., Ltd. (TSX-V: SYL) from December 2009 to March 2016. Currently, Mr. Mallmann acts as a director for several public companies listed on the TSX-V and the Canadian Securities Exchange.

Mr. Mallmann received a Bachelor of Arts Degree (1981), a Juris Doctor (1985) and a Masters Degree in Business Administration (1988), all from the University of British Columbia.

#### Operations

The Company currently has generated revenue from sales of electronic and agricultural products, installation and implementation services, 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.

## Selected Annual Financial Information

The following selected financial information is derived from the audited financial statements and notes thereto.

	As at December 31,		
	2017	2016	2015
Current assets	\$ 446,000	\$ 233,444	\$ 201,882
Non-current assets	191,960	47,742	53,335
Total assets	637,960	281,186	255,217
Current liabilities	249,820	334,071	124,180
Long term liabilities	-	-	71,574
Shareholders' equity (deficiency)	388,140	(52,885)	59,463
Total liabilities and equity (deficiency)	\$ 637,960	\$ 281,186	\$ 255,217
Working capital (deficiency)	\$ 196,180	\$ (100,627)	\$ 77,702

	Years ended December 31,		
	2017	2016	2015
Revenue	\$ 33,226	\$ 111,974	\$ 95,271
Gross profit (loss)	(30,472)	(44,022)	86,104
Expenses and other items	(1,169,575)	(740,025)	(238,649)
Net loss	\$ (1,200,047)	\$ (784,531)	\$ (156,135)
Exchange difference on translating foreign operations	11,171	(14,082)	180
Comprehensive loss	\$ (1,188,876)	\$ (798,613)	\$ (155,955)
Net loss attributable to			
Shareholders of the Company	\$ (1,141,018)	\$ (749,502)	\$ (143,885)
Non-controlling interest	\$ (47,858)	\$ (35,029)	\$ (12,250)
Basic and diluted net loss per share	\$ (0.03)	\$ (0.06)	\$ (0.02)
Dividends per share	\$ -	\$ -	\$ -

## Results of Operations

### Year ended December 31, 2017 and 2016

During the year ended December 31, 2017, the Company incurred a net loss of \$1,200,047, compared with \$784,531 for comparative year ended December 31, 2016. The Company currently has generated revenue from sales of electronic products and other products, 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. The Company is in the development stage and its revenue and expense are not consistent each period.

The losses are mainly comprised of the following items:

- During the year ended December 31, 2017, the Company generated revenue of \$13,365 from maintaining the energy saving system installed last year; \$6,984 from selling electronic products and green building materials in Vietnam under agency contacts; \$2,437 from test selling Vietnamese products in China; and \$10,440 from other IT services. During the year ended December 31, 2016, revenue of \$75,478 was from sales of an energy saving system and related software in Vietnam. Service income of \$36,496 was from installing and maintaining the energy saving system in the Saigon Trade Center in Ho Chi Minh City, and data support services.
- Amortization costs of \$17,724 (2016 - \$14,565) are mainly from amortizing computers and office equipment, office furniture and leasehold improvements.
- Accounting and auditing fees of \$126,249 (2016 - \$122,886) are mainly due to audit of 2016 fiscal yearend financial statements, and review of the financial statements for the three-month period ended March 31, 2017, preparation of due diligence meeting and other work related to the Company preparing for its listing on the CSE through an IPO in Canada.
- Starting from September 1, 2017, three directors of the Company each received \$1,000 per month in directors' fees. There were no such fees during the year ended December 31, 2016.
- Legal fees of \$178,011 (2016 - \$101,745) increased during the year because of the legal work performed by Canadian lawyers on the filing of the preliminary and final prospectuses, preparation of CSE listing documents, and related work.
- Management fees of \$140,090 (2016 - \$152,279) includes \$74,243 (2016 - \$96,596) paid or accrued to the CEO and \$65,847 (2016 - \$55,683) to company controlled by the CFO.
- Office and miscellaneous expenses of \$79,074 (2016 - \$90,080) includes meals and entertainment, gift and promotion, preparation of business plan, office supplies, etc.
- Rent fees of \$72,642 (2016 - \$53,025) are for two offices in Ho Chi Minh City, and one office in Shenzhen city.
- Salary and benefits of \$148,549 (2016 - \$128,597) were paid to employees in Ho Chi Minh City and Shenzhen city.
- Share-based compensation of \$238,058 (2016 - \$Nil) is the amortization of the fair value of 3,320,000 stock options granted during the year ended December 31, 2017.
- Travel expenses of \$63,126 (2016 - \$49,631) was mainly for trips made by the CEO between Hong Kong, China and Vietnam. The CEO also visited Vancouver several times during the year.
- Registration and filing fees of \$26,205 (2016 - \$Nil) are prospectus filing fees and an initial registration fee paid to the CSE.
- Bad debts expenses of \$27,143 (2016 - \$Nil) is related to receivables from a company in Ho Chi Minh City who owes the Company rent and office renovation expenses. The company is in the process of being dissolved and the receivables were considered uncollectible.

### **Three months ended December 31, 2017 and 2016**

During the three months ended December 31, 2017, the Company incurred a net loss of \$446,131, compared with \$340,776 for the three months ended December 31, 2016. The Company currently has generated revenue from sales of electronic products and other products, 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. The Company is in the development stage and its revenue and expense are not consistent each period.

The losses are mainly comprised of the following items:

- Amortization costs of \$7,934 (2016 - \$2,219) are mainly from amortizing computers and office equipment, office furniture and leasehold improvements. The increase is due to the completion of showroom in Ho Chi Minh City.



- Accounting and auditing fees during the three months ended December 31, 2017 is \$63,024 (2016 - \$97,253), mainly related to the yearend audit.
- Legal fee of \$10,967 (2016 - \$40,768) was much higher in the comparative three months ended December 31, 2016 due to significant amount of legal work done by Canadian lawyers on the preparation of the CSE listing.
- Management fees of \$41,228 (2016 - \$82,563) includes \$20,228 (2016 - \$52,180) paid or accrued to the CEO and \$21,000 (2016 - \$30,383) to a company controlled by the CFO.
- Office and miscellaneous of \$32,715 (2016 - \$25,812) includes meals and entertainment, gift and promotion, preparation of a business plan, office supplies, etc.
- Rent fees of \$18,118 (2016 - \$15,882) are for two offices in Ho Chi Minh City, and one office in Shenzhen city.
- Salary and benefits of \$51,020 (2016 - \$43,770) were paid to employees in Ho Chi Minh City and Shenzhen city.
- Share-based compensation of \$127,049 (2016 - \$Nil) is the amortization of fair value of 3,320,000 stock options granted during the year ended December 31, 2017.
- Travel expenses of \$23,935 (2016 - \$11,451) was mainly for trips made by the CEO between Hong Kong, China and Vietnam. The CEO also visited Vancouver to prepare for the IPO.

### Summary of Quarterly Results

The following table summarizes the operation results for the most recent four quarters:

	Three month period ended December 31, 2017	Three month period ended September 30, 2017	Three month period ended June 30, 2017	Three month period ended March 31, 2017
Total assets	\$ 637,960	\$ 1,067,947	\$ 188,169	\$ 241,288
Capital assets	176,679	24,802	26,423	29,258
Working capital (deficiency)	196,180	674,267	(500,034)	(259,892)
Long-term liabilities	-	-	-	-
Shareholders' equity (deficiency)	388,140	714,357	(392,871)	(163,292)
Net loss for the period	(446,131)	(256,564)	(250,269)	(247,083)
Comprehensive loss for the period	(451,167)	(246,004)	(243,224)	(248,481)
Net loss attributable to				
Shareholders of the Company	(426,857)	(249,514)	(236,625)	(239,193)
Non-controlling interest	(19,274)	(7,050)	(13,644)	(7,890)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Dividends per share	-	-	-	-

\*The Company was a private entity until its IPO. Quarterly reporting prior to December 31, 2016 is not disclosed.

## Liquidity and Capital Resources

The Company commenced fiscal 2017 with working capital deficiency of \$100,627 and cash of \$133,408. As at December 31, 2017, the Company had a positive working capital of \$196,180 and cash of \$269,562.

The increase of cash is mainly due to the completion of the IPO. On August 31, 2017, the Company completed its 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 Agent also incurred legal and other expenses of \$28,589 towards the IPO.

Net cash used in operating activities for the current year was \$1,040,371 (2016 - \$500,114). The net cash used in operating activities for the nine-month period consisted primarily of the operating loss and a change in non-cash working capital items. The increased cash used in current year was due to audit, accounting, legal, travel, business plan preparation expenses incurred in preparation of the Company's IPO in Canada.

Net cash used in investing activities during the current year was \$158,634 (2016 - \$29,615) primarily due to purchasing computers, office furniture, and leasehold improvement costs on a showroom in Ho Chi Minh City.

Net cash from financing activities during the current year was \$1,341,244 (2016 - \$654,240). In the year ended December 31, 2017, the Company completed its IPO and also issued 1,729,586 shares at \$0.06 per share for total proceeds of \$103,775. The Company received HK\$990,000 (\$158,400) from several shareholders as short-term loan in July and August 2017 which was all repaid during the year. The Company also repaid HK\$400,000 (\$64,000) of loans received in the prior year. In October, the Company received HK\$110,000 (\$17,600) from a short-term loan from HSBC.

The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the next 12 months.

## 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 the 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.

### **Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

### **Investor Relations**

N/A

### **Commitments**

The Company has no commitments.

### **Financial and Capital 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.

### ***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.

### ***Capital management***

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities. The Company relies mainly on equity issuances and loans from related parties to raise new capital. In the management of capital, the Company includes the components of shareholders' equity (deficiency). The Company prepares annual estimates of operating expenditures and monitors actual expenditures compared to the estimates in an effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs for the current year. These financing activities may include issuances of additional debt or equity securities.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

### **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:

	Investment in Transinall
	\$
Balance as at December 31, 2015	16,076
Equity loss for the year	(484)
Balance as at December 31, 2016	15,592
Equity loss for the year	(311)
Balance as at December 31, 2017	15,281

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
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.

### Significant Accounting Policies, Critical Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Notes 3 and 4 of its audited consolidated financial statements for the year ended December 31, 2017.

### Future Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2017 reporting period. The following new standards have been assessed, but are not expected to have any impact on the Company's 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.

## Subsequent Events

### Private Placement

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.

## Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares Issued or issuable
Common shares	39,222,001
Stock options	3,320,000
Warrants	1,209,480

## Risks and Uncertainties

The Company, through its subsidiaries in Hong Kong, Vietnam and China, and a network of business partners, provides commercial services for foreign enterprises seeking ready access to the growing market for consumer and industrial goods in Vietnam. The Company helps its clients to develop Southeast Asian market by providing a range of services including access to the Maritime Silk Road online marketplace, shipping logistics, payment processing, warehousing and distribution of goods, marketing, promotion and sales support. The Company provides a low cost, fast, effective and reliable bridge for small and medium sized enterprises ("SMEs") to enter Vietnam and other ASEAN (Association of South East Asian Nations) economies.

### Limited Operating History

The Company was incorporated in late 2015 and does not have an operating history or any established financing sources. The Company's wholly-owned subsidiary, Glorious IT, was incorporated in July, 2011, and has earned nominal revenues to date.

The Company has a history of operating losses and may not achieve or sustain profitability. It cannot guarantee investors that it will become profitable, and even if it achieves profitability, given the evolving nature of the industry in which it operates, it may not be able to sustain or increase profitability and its failure to do so could adversely affect its business, including its ability to raise additional funds.

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

The Company's business and prospects must be considered in light of the risks, expenses and difficulties often encountered by early stage agency, distributor and/or commercial IT technology companies. Risks to consider include the unpredictability of the Company's business expansion, its ability to anticipate and adapt to the constantly evolving array of business opportunities presented to it and its ability to identify, attract, train and retain qualified personnel to assist it with its growth and diversity. The Company has limited experience in addressing the risks, expenses and difficulties encountered by similar, same-stage companies, particularly companies that are as rapidly evolving in the ASEAN corridor as the Company.

The Company cannot assure that it can avoid net losses in the future or that there will not be any earning or revenue declines in the future. The Company expects that its operating expenses will increase as it grows its business. If the revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

To increase its revenues, the Company must regularly add new customers, provide additional services and/or sell additional products to existing customers and encourage existing customers to increase their minimum commitment levels. There are no assurances that the Company will be able to attract new customers or retain existing customers in which case its operating results will be adversely affected.

The Company intends to expand its international trade agency and consulting business, as well as continue to establish and expand its e-commerce platform into a number of ASEAN countries, including Vietnam and China. In order to succeed with such expansions, the Company believes it will need to develop and manage new sales channels and distribution arrangements. Because the Company has limited experience in developing and managing such channels, it may not be successful in further penetrating target geographic regions or reaching a broader customer base. Failure to develop or manage additional sales channels effectively would limit the Company's ability to succeed in its target markets and could adversely affect the Company's ability to grow its customer base and revenue. Additionally, the Company expects to act as a distributor for the products and services sold through its e-commerce platform. If the Company fails to manage distribution of such products and services properly, if the financial condition or operations of its suppliers weaken, or if such suppliers fail to meet the applicable regulatory requirements of the jurisdictions in which they do business, the revenue and gross margins of the Company could be adversely affected.

#### Negative Operating Cash Flows

Since commencing its operations the Company has had negative operating cash flow and incurred losses. The Company may never achieve positive operating cash flow. To the extent the Company has negative operating cash flows in future, it may need to deploy a portion of its existing cash reserves or identify additional sources of financing to fund such negative cash flows. The Company may require additional financing in order to continue as a going concern, as well as to grow and expand its operations. It is possible that any required future financing will not be available or, if available, will not be available on favorable terms. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, respond to competitive pressures or remain in business.

#### International Operations

The Company provides international trade agency and consulting services to companies primarily in Vietnam, with recent expansion to China and proposed expansion to other ASEAN countries. In addition, the Company is in the process of setting up its online e-commerce portal to facilitate the purchase and sale of products initially between the Vietnamese and Chinese markets, with proposed expansion to other ASEAN countries. Certain risks are inherent in such international operations, including: vigorous regulation of the Internet; the challenge of compliance with a variety of continually updating foreign laws and regulations, some of which may conflict with one another; the possibility of new, or changing, tax laws applicable to the Company, its operations or those of its clients or customers; varying foreign laws and regulations for e-commerce; difficulty enforcing agreements, intellectual property rights and collecting receivables through certain foreign legal systems; complexities of managing a multinational organization; general economic and political conditions, natural disasters, social upheaval, war or

terrorist activities in countries where the Company operates; movement in, or outlook on, interest rates and inflation rates in jurisdictions in which it operates; and differing payment cycles across jurisdictions. If the Company does not respond adequately to these risks, it could have a material adverse effect on the Company's business, results of operations and financial condition. The implementation of new laws or the modification of existing laws affecting any of the industries in which the Company carries on business are beyond the control of the Company and could have a material adverse impact on the Company and its business.

#### Foreign Exchange Rate Risk

Because the Company's business operations are centered in Hong Kong, Vietnam and China. All or part of the Company's revenue and expenses may be denominated in Canadian dollars, US dollars, Hong Kong dollars, Vietnamese Dong or Chinese Renminbi. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results.

#### Potential Restrictions on Transfer with Subsidiaries

The Company is a holding company that conducts operations through subsidiaries, including foreign subsidiaries located in Hong Kong, Vietnam and China. Accordingly, any limitation on the transfer of cash or other assets between the Company and such entities, or among such entities, including the creation or increase of taxes over such transfers, could restrict the Company's ability to fund its operations efficiently or to fund dividends or other distributions to Shareholders. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and share price.

#### Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject in any jurisdiction in which it carries on business could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

#### Competition

While there is significant competition in the online advertisement industry generally; the Company is unaware of any direct competitors at this time, as to the Company's knowledge, it is the first company to construct a total solution to help to connect the Vietnam and China markets. This is due, in part, to the fact that the Company currently has access to an Internet advertising license in Vietnam which is rare. However, it is anticipated that the Company will be competing with a range of local and foreign-owned competitors in the future as more companies try to infiltrate the China – ASEAN marketplace.

There is risk that a change in law or policy (refer to "*Changes in Laws*" above) could result in a loss of some or all of the licenses the Company has acquired which would have a material adverse effect on the Company's business, financial condition and results of operations.

There is no assurance that future competitors will not succeed in obtaining the necessary licenses or developing products that are more effective or economic than the products developed by the Company, or which would render the Company's products obsolete and/or otherwise uncompetitive.

A large number of market participants could complicate customers' discrimination between competitors, increasing the difficulty of achieving market share and revenue. The Company may be unable to compete successfully against future competitors where aggressive policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect



the Company's future business, operating results and financial position. There may be competitors that have greater name recognition, access to larger customer bases and substantially greater resources, including sales and marketing, financial and other resources, which could enable such competitors to absorb costs associated with providing their products and services at lower prices, devote more resources to new customer acquisitions, respond to evolving market needs more quickly than the Company and/or finance more development activities to develop better products and services, any or all of which could have a material adverse effect on the Company's business and revenues.

### Consumer Acceptance

The Company expects that a substantial portion of its future revenue will be derived from use of its e-commerce portal. Broad market acceptance of the e-commerce portal is, therefore, critical to the Company's future success and its ability to continue to generate revenues and to increase revenues. Failure to achieve broad market acceptance of the e-commerce portal could significantly harm the Company's business. The Company's future financial performance could depend on the successful market acceptance of its e-commerce portal and on the development, introduction and market acceptance of any future enhancements. There can be no assurance that the Company will be successful in marketing its current product offerings or any new product offerings, applications or enhancements, and any failure to do so could significantly harm its business.

### Merchant Acceptance

The Company expects to generate a significant portion of its revenues through the sale of memberships on its e-commerce platform and the sale of additional solutions to its merchants. Such membership plans are for fixed periods of time, and the merchants have no obligation to renew their memberships after their subscription term expires. As a result, even though the Company believes there is significant interest among merchants to use the Company's e-commerce platform, there can be no assurance that a significant number of merchants will subscribe to the e-commerce platform, or that once subscribed, that the Company will be able to retain these merchants. Many such merchants may be small and thus more susceptible than larger businesses to general economic conditions and other risks affecting their businesses. In addition, many such small merchants may be in the entrepreneurial stage of their own development and thus there is no guarantee that their businesses will succeed.

The Company's costs associated with subscription renewals are expected to be substantially lower than costs associated with generating revenue from new merchants or costs associated with generating sales of additional solutions to existing merchants. Therefore, if the Company is unable to retain merchants, even if such losses are offset by an increase in new merchants or an increase in other revenues, the Company's operating results could be adversely impacted.

The Company may also fail to attract new merchants, retain existing merchants or increase sales to both new and existing merchants as a result of a number of other factors, including:

- (a) reductions in its current or potential merchants' spending levels;
- (b) increasing competition through the introduction of e-commerce platforms, discount pricing and other strategies that may be implemented by competitors;
- (c) a decline in the Company's merchants' level of satisfaction with the e-commerce platform and merchants' usage of the platform; and
- (d) changes in relationships with third parties, including the Company's partners, referral sources and payment processors.

### Pricing

The Company has limited experience determining the optimal prices for its agency consulting services, as well as for membership fees for its e-commerce platform. The Company expects to change its pricing model from time to time in the future. Given its limited experience with selling its services, products and new solutions, it may not be offering its services/products or new solutions at an optimal price, which may result in a loss of profitability. As competitors introduce new businesses and products that compete with the Company's businesses and products, the Company may be unable to attract new customers or merchants at the same prices or based on the same pricing models as it has historically charged, which could have a negative impact on its overall revenue. Moreover, if small

merchants comprise the majority of merchants using the e-commerce platform, they may be quite sensitive to price increases or prices offered by competitors. As a result, in the future the Company may be required to reduce its prices, which could adversely affect its revenue, gross profit, profitability, financial position and cash flows.

#### Advertising and Sales

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to (i) create greater awareness of its products and services; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

#### Obsolescence

The e-commerce industry is characterized by rapid changes in technology and customer demands. As a result, the Company's e-commerce products, including the VCB Business Platform and its agency-related internet marketing products, may quickly become obsolete and unmarketable. The Company's future success will depend on its ability to adapt to technological advances, anticipate customer demands, develop new products and enhance its current offered products on a timely and cost-effective basis. Further, its products must remain competitive with those of other companies with substantially greater resources. The Company may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products or enhanced versions of existing products.

#### Technical Operations Infrastructure

It is anticipated that the Company's online e-commerce platform will serve a large number of clients and customers. The infrastructure required to maintain such platform may not provide satisfactory service in the future if it is not adequately updated, particularly if the number of customers navigating the platform increases. The Company may be required to upgrade its technology infrastructure to keep up with the increasing traffic, such as increasing the capacity of its hardware servers and the sophistication of its software. The Company is already in the process of porting over its VCB Business Platform currently based on the Mongo database to HBase (refer to "*Business of the Company – Products, Technologies and Services – (ii) VCB (Virtual Cross Border) Business Platform & MSR Business Center*"). If the crossover to HBase fails, the Company will revert to its original system. However, if the Company ultimately fails to adapt its technology infrastructure to accommodate greater traffic or customer requirements, users and customers may become dissatisfied with the online services provided and switch to those offered by competitors, which will negatively affect the Company's profitability.

#### Internet Infrastructure

The success of the Company's online platform will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products, for providing reliable Internet access and services.

The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic, and its infrastructure may be unable to support growing demand. As such, the speed and performance of the Internet may be negatively affected by issues including increasing numbers of users, increasing bandwidth requirements, and viruses, malware or spam. In its history, the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage generally as well as the level of usage of the Company's services and reduce the Company's revenues.

#### Staffing and Reliance on Key Management

The responsibility of successfully implementing the Company's business strategy depends substantially on its senior management and its key personnel, in particular, Kong Yuk Kan, the Company's CEO. The Company does not currently have any "key-man" insurance policy on Mr. Kong or on any other key employee of the Company, therefore there is a risk that the death or departure of Mr. Kong or any one or more other key employee could have a material adverse effect on the Company.

Further, the Company currently needs to acquire sales and technical staff to execute its business strategy. If the Company does not secure the appropriate funding to acquire the staff it needs, or if it is unable to attract and retain sufficiently qualified staff, its ability to successfully develop and sell its products and services could be significantly compromised.

There is also a risk to the business where there is a turnover of development staff that have knowledge of the Company's technology and business. This loss of knowledge could result in leakage or misappropriation of confidential information. While the Company aims to mitigate this risk by imposing contractual restraints on use and ownership of the Company's confidential information, there could also be increased costs for the Company in having to replace the implicit knowledge and skills of departing employees.

### **Disclosure Controls and Procedures**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

The Company believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **Corporate Governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of

ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval.

The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.