KING GEORGE FINANCIAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Three Months and Nine Months Ended August 31, 2016

The following Management's Discussion & Analysis (MD&A) is based on information available to management as of October 27, 2016. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended August 31, 2016 which were prepared in accordance with International Accounting Standards ("IAS") 34 and the audited consolidated financial statements and MD&A for the year ended November 30, 2015 and 2014 prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, the financial information in this MD&A and condensed consolidated interim financial statements are presented in Canadian dollars.

Based on the recommendation of Audit Committee, the Company's Board of Directors approved the content of this MD&A on October 27, 2016. Additional Information on the Company can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain information in this MD&A contains forward-looking statements that are based on assumptions and beliefs of Company's management who relies on its past experience, analysis of historical trends and information available to them at the time. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Readers are cautioned that such statements are subject to certain risks and uncertainties associated with general business conditions, market competition, availability of acceptable financing and other economic factors commonly associated with the real estate development, hospitality and healthcare related industry. As such, actual results and performance may vary significantly from those presented or discussed in such forward-looking statements. The Company is not obligated to publicly update or amend its forward looking statements except as required by applicable law.

OVERVIEW AND DESCRIPTION OF BUSINESS

King George Financial Corporation ("the Company") was incorporated under the laws of the Province of British Columbia on July 21, 1999 and is listed on the TSX Venture Exchange under the symbol 'KGF'. The Company's business is concentrated in the area of hotel and residential real estate holding and development as well as medium to long term investment in real estate, hotel and healthcare related securities.

The principal assets include:

- 2.84 acres residential building lot located in the City of Surrey, BC held through its 100% subsidiary 0819277 BC Ltd;
- 3.5 million common shares of Allied Hotel Properties Inc. (AHP), a hotel ownership and management company trading on the TSX Venture Exchange;
- 10.3 million common shares of International Healthway Corporation (IHC), a Pan-Asian integrated healthcare services and facilities provider listed on Singapore Stock Exchange;
- 253 non-redeemable preference shares of Oclamon Real Estate Fund 1, a Cayman Islands incorporated company partnering with a top tier Malaysian developer to invest and develop a mixed-used real estate development project in the Iskander region, Malaysia;
- 20 Class 'A' units in MacDonald Lakeshore Properties Limited Partnership, a real estate investment limited partnership to develop 537 acres of land into a new subdivision called Lakestone located in Lake Country, Kelowna, BC;
- 3,971 units in Central Surrey Real Estate Investment Limited Partnership (CSREILP), a real estate investment limited partnership partnering with a third party on a 60/40 share-basis to jointly develop a residential building site into a 37-storey, 398-units market condo project in Surrey, BC;
- 7,826,000 common shares of Glittering Team Sdn Bhd (GTSB), a Malaysian hotel ownership company developing and operating a hotel property in Kuala Lumpur, Malaysia. GTSB shares are held through the Company's 100% Malaysian subsidiary KGFC (Malaysia) Sdn Bhd (KGFCMSB); and
- $7.9 million cash

RESULTS OF OPERATION

2016 Third Quarter Results (narrative amounts rounded to the nearest thousand, except income (loss) per share data)

For the three months ended August 31, 2016, net loss and comprehensive income (loss) attributable to shareholders of the Company was $(103,000) (($0.00) per share) compared to $165,000 ($0.00 per share) for the same period last year. For the nine months ended August 31, 2016, net loss and comprehensive income (loss) attributable to shareholders of the Company was $(1,195,000) (($0.03) per share) compared to a $515,000 ($0.01) per share) for the same period last year.

The Company has the following reportable operating segments: Real Estate Development, Hotel Development and Operations, Management and Finance Services, and Other.

	Revenue			
	Three months ended August 31		Nine months ended August 31	
	2016	2015	2016	2015
Operating segments:				
Real Estate Development	-	**1,000**	**(409,000)**	**1,000**
Hotel Development and Operations	-	-	-	-
Management and Finance Services	-	-	-	1,000
Other	89,000	47,000	235,000	153,000
	$ 89,000	$ 48,000	$ (174,000)	$155,000

Depreciation expense was $2,000 for the three months ended August 31, 2016 compared to $2,000 for the same period last year. For the nine months ended August 31, 2016, depreciation expense was $6,000 compared to $6,000 the year before. No depreciation was taken on property, plant and equipment belonging to the Malaysian hotel under development until the hotel property is substantially developed and available for occupancy.

Salaries and benefits for the three months ended August 31, 2016 were $102,000 compared to $75,000 for the same period last year. For the nine months ended August 31, 2016, salaries and benefits were $318,000 compared to $278,000 for the same period last year. The addition of new CEO and director onto the Company payroll was the main reason for the increase in salary during 2016.

There was $18,000 foreign exchange gain incurred during Q3-16 compared to $208,000 exchange loss in Q3-15. For the nine months ended August 31, 2016, exchange loss was $110,000 compared to exchange loss of $189,000 for the same period last year. A decrease in Malaysian cash deposit and drop in Canadian Dollar value against Malaysian Ringgit in 2016 contributed to a lower foreign exchange loss incurred during the year comparing to the same period in 2015.

For the three months ended August 31, 2016, general and administrative expenses were $67,000 compared to $41,000 in Q3-15. For the nine months ended August 31, 2016, general and administrative expenses were $186,000 compared to $143,000 for the same period in 2015. Apart from $34,000 legal fee relating to acquiring GTSB investment and $13,000 office expense incurred by the Company's foreign operation, overall, the amount of general and administrative expenses incurred was consistent with the level of business activity. A breakdown of general and administrative expenses is as follows:

Breakdown of General & Administrative Expenses

	Three months ended August 31		Nine months ended August 31	
	2016	2015	2016	2015
Advertising and promotion	$ -	$ 1,000	$ 1,000	$ 2,000
Automotive and travel	1,000	1,000	1.000	1,000
Office and miscellaneous	17,000	2,000	28,000	13,000
Professional fees	19,000	9,000	66,000	37,000
Public company expenses	5,000	3,000	14,000	14,000
Rent	24,000	23,000	71,000	70,000
Telephone	1,000	2,000	5,000	6,000
Total	$ 67,000	$ 41,000	$ 186,000	$ 143,000

Interest income earned in Q3-16 was $89,000 compared to $47,000 in Q3-15. For the nine months ended August 31, 2016, interest income earned was $235,000 compared to $154,000 for the same period last year.

Property Held For Sale

Company's property held for sale in Surrey, BC is comprised of 2.84 acres of residential building lot called Lot A. In February 2016, Company submitted an application to renew its development permit to build a 46 and 20-storey residential towers for a total of 515,942 gross floor area (GFA). On July 13, 2016, the Company entered into a conditional agreement to sell Lot A including all drawings, building plans and certain rights relating to the land to an arm's length party for $15,550,000. There was a 67 day due diligence period and a list of Purchaser's Condition that must be waived by the Purchaser on or before the Purchaser's Condition Waiver Date.

Investments In Securities

As at August 31, 2016, the Company held the following available-for-sale securities:

- Allied Hotel Properties Inc. (AHP) - 3.5 million common shares
  AHP is a public hotel ownership and management company trading on the TSX Venture Exchange (TSXV). On August 31, 2016, AHP shares closed at $0.085 per share on TSXV.

- International Healthway Corporation (IHC) - 10.3 million common shares
  IHC is a public corporation trading on Singapore Stock Exchange (SGX). Its core business portfolio is to build and manage medical real estate, health-related assets and integrated mixed-used developments in China, Japan and Malaysia. On August 31, 2016, IHC shares closed at $0.04 (S$0.04) per share on SGX.

- Oclamon Real Estate Fund 1 (The Fund) - 253 non-redeemable preference shares
  The Fund is a Cayman Islands incorporated private company managed by Oclaner Asset Management Pte. Ltd in Singapore. In 2013, The Fund formed a partnership with a Malaysian real estate developer UMLand to develop 5.02 acre of land located at Medini Lakeside of Iskandar region in Malaysia. On completion, this mixed-used development project will consist of a full service hotel, an office tower, retail shopping units and two residential towers. The Fund is measured at cost.

  According to the Fund most recent report, progress on the Medini Lakeside project is as follows:
  - All pilling on foundation and excavation work had been done.
  - Project construction is 10% complete.
  - Office tower units are 65% sold.
  - Presale of Shama Tower hotel service apartment is 20% sold. Marketing effort is expected to ramp up during Q3 and Q4 of 2016.
  - Due to lower than expected sale result in Shama Tower project, anticipated capital repayment to fund investors has been postponed until additional revenue can be derived from the sale of Shama and the new Citadines residential tower project.

- MacDonald Lakeshore Properties Limited Partnership (MLPLP) - 20 Class 'A' units

  MLPLP is a real estate investment limited partnership to develop through its general partner MacDonald Lakeshore Properties Ltd 537 acres of land into a new subdivision called Lakestone located in Lake Country, Kelowna, BC. On completion, Lakestone will consist of 615 family homes, 150 townhouses and 80 condo suites for a total of 845 homes. MLPLP is measured at cost.

  Based on the latest sales report, Phase 1 to 6 of the project called Waterside, which consist of 84 development lots were 74% sold. Lot sales to Alberta residents had slowed down while purchase from buyers in BC had increase. Construction of a $3.5 million clubhouse, road upgrade and boat moorage facilities are ongoing to enhance the marketing effort.

Investment In Associate

- Central Surrey Real Estate Investment Limited Partnership (CSREILP) – 3,971 units (41.388% limited partnership interest)

  CSREILP is a real estate investment limited partnership. It is partnering with a third party on a 60/40-share basis through Central Surrey Development Limited Partnership (CSDLP) to jointly develop a building site in Central City, Surrey, BC into a 37-storey, 398-unit market condo project called Prime On The Plaza. According to the latest report from General Partner of CSDLP, the project is completely sold out and the presentation sale centre permanently closed. Site construction works had commenced with a project substantial completion date expected in 2018. The Company's investment in CSREILP is measured at its transaction date fair value of $3,971,250 and adjusted using the Company's pro rata share of CSREILP's comprehensive income (loss) under the accounting equity method and additional capital contribution to the limited partnership. The indirect beneficial interest the Company held in CSDLP as at August 31, 2016 was 24.833%.

In Q1-16, CSREILP reported a year-to-date LP loss of $990,000 resulting from its own administration expenses and 60% share of $1,642,000 project marketing and miscellaneous costs expensed by CSDLP. The Company's share of loss on investment in associate was $409,000.

The Company holds a non-controlling minority investment position in AHP, IHC, the Fund, MLPLP, CSREILP and CSDLP respectively.

Property, Plant and Equipment

Property, Plant and Equipment consist of a hotel building under development and its related electrical and mechanical equipment totaling $10,351,000 (RM 32,501,000) in Malaysia in addition to $30,000 of Company's office equipment and leasehold improvement in Canada. GTSB is the owner of the hotel property under development in Kuala Lumpur, Malaysia.

Business Acquisition and Non-Controlling Interest in GTSB

During Q2-16, the Company through its 100% Malaysian subsidiary KGFCMSB invested $2,533,000 (RM 7,826,000) for 7,826,000 GTSB voting shares (representing 61.02% interest) and advanced an additional $3,492,000 (RM 10,999,000) as shareholder advance to GTSB. The shareholder advance carries a holding cost of 8% per annum on a non-compounding basis to GTSB. Repayment will be on a semi annual basis or at GTSB Board's discretion and drawn from 50% of GTSB profit available for distribution after deducting current liabilities, taxes and future funding requirements for debt servicing, capital expenditure and operating budget.

As GTSB's controlling shareholder, the Company also holds a majority position on GTSB's management committee, board of directors and is responsible for the day-to-day operation and administration of GTSB as well as overseeing the development and operation of the hotel property.

As at August 31, 2016, non-controlling interests in GTSB totals $1,496,000 (representing 38.98% interest). A director of non-controlling interest party had an outstanding shareholder advance to GTSB in the amount of $2,983,000. Holding cost and repayment conditions are identical to terms granted by GTSB to shareholder advance made by the Company.

The purchase price allocation for this transaction has not been finalized as of the current reporting date as management is still assessing the fair value of the net identifiable assets and resulting non-controlling interest. Under IFRS, the allocation must be finalized within one year of the acquisition date, which is March 16, 2016.

Summary Of Quarterly Results

The following is a breakdown of total revenues including other income, net income (loss) and comprehensive income (loss) attributable to shareholders of the Company and income (loss) per share for the last eight quarters:

	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Total Revenues (loss)	89,000	56,000	(319,000)	(3,207,000)	48,000	53,000	54,000	2,371,000
Net Income (loss)	(116,000)	(432,000)	(523,000)	(2,090,000)	165,000	(84,000)	435,000	2,364,000
Basic and diluted earnings (loss) per share								
	(0.003)	(0.011)	(0.013)	(0.053)	0.004	(0.002)	0.011	0.060

The above quarterly net income (loss) and basic and diluted earnings (loss) per share prior to Q2-16 were restated to include comprehensive income (loss) attributable to shareholders of the Company. Previously, these were reported using net income (loss) before comprehensive income (loss) for the period.

Other than share of loss on investment in associate in Q1-16, an impairment loss on equity securities in Q4-15 and one-time gain on land exchange and transfer of properties under development in Q4-14, in general, the variations were in accordance to the level of business activity in each quarter

LIQUIDITY AND CAPITAL RESOURCES

Cash Generated/(Used) in Operating Activities

For the nine months ended August 31, 2016, cash generated/ (used) in operating activities was $(244,000) compared to $(435,000) for the same period last year. The receipt of $219,000 income taxes refund was the main reason for the reduction in net cash used in operating activities during 2016.

Financing and Investing Activities

For the nine months ended August 31, 2016, the Company collected $1,399,000 from its loan receivable, repaid $2,000 in its obligations under capital lease, spent $109,000 on additions to its property held for sale and invested $5,715,000 in property, plant and equipment relating to its hotel development investment in Malaysia.

Working Capital

The Company's cash position decreased from $12,591,000 at the beginning of the period to $7,927,000 at the end of the period.

Contractual Obligation

The Company had obligations under capital lease totaling **$10,000** from the leasing of certain office equipment.

Commitments and Contingencies

The Company signed a 60-month office rental lease expiring on October 31, 2019. Annual basic rent payable under the lease is $50,000 plus prorated portion of building operating costs and property tax estimated at $44,000 per year.

The Company together with other partners in CSREILP has an outstanding joint agreement to indemnify the general partner of CSREILP (the indemnitee) who acts as a co guarantor to secure a construction bank loan made to CSDLP. The pro-rata share of indemnity amount given by the Company to the indemnitee is $ 6,205,000 plus interest and other costs related to the CSDLP bank loan guarantee.

SHARE CAPITAL

As at October 27, 2016, the Company's issued and outstanding common shares without par value stood at 39,556,460.

No options were granted during Q3-16. At the end of the quarter, there were no options, warrants or convertible securities outstanding. No shares were held in escrow or subject to pooling agreements at the period end.

RELATED PARTY TRANSACTION

For the nine months ended August 31, 2016, the Company paid $125,000 remuneration to key management personnel comparing to $99,000 in 2015. The addition of new CEO and director onto Company's payroll was the main reason for this increase in 2016.

SUBSEQUENT EVENT

On September 19, 2016, Purchaser of Lot A waived its purchaser's conditions precedent and placed a $3,000,000 nonrefundable deposit in its solicitor's trust account. Closing date of the sale is December 12, 2016. Management is currently reviewing and assessing the financial effect, closing adjustments and income tax implication to the Company.

DIRECTORS AND OFFICERS

The following is a list of the Company's directors and officers as at October 27, 2016:

Directors

Andrew E. Saxton
Andrew Saxton, Jr.
Tuan Syed Abu Bakar bin Syed Mohsin Almohdzar
Robert Yew Chuan Ng
Dennis Ng
Tim Koo

Officers

Andrew E. Saxton	– Chairman
Dennis Ng	– President
Andrew Saxton, Jr.	– CEO
Tim Koo	– CFO
Sean Leong	– Secretary

INVESTOR RELATIONS

No investor relation activities were undertaken by or on behalf of the Company during the quarter ended August 31, 2016. No investor relation arrangements or contracts were entered into by the Company during the quarter ended August 31, 2016.

MINERAL LEASES

The three mineral leases granted to the Company in the Arrow Lakes District of southeastern British Columbia were kept in good standing. Company has no current plan to carry out exploration work on these leased sites.

RISK MANAGEMENT

Credit Risk
The Company's credit risk is primarily attributable to cash, loan receivable and amounts receivable. Cash is held in reputable Canadian banks and brokerage firms in Singapore and Malaysia which are closely monitored by management. Management believes the credit risk concentration with respect to the Company's financial instruments is minimal and the credit rating of the financial institutions and brokerage firms it deals with is satisfactory.

Loan receivable was secured with shares pledged by the corporate borrower and personal guarantees from the borrower's corporate directors.

The Company's exposure to credit risk associated with amounts receivable is primarily attributable to trade and GST receivable and is not significant.

Foreign Exchange Risk
The Company is subject to currency risk due to the fluctuation of Canadian Dollar exchange rate against US Dollar, Singapore Dollar and Malaysian Ringgit. This relates to the cash and equity securities held in the Company's Singapore and Malaysian brokerage accounts and its hotel investment in Malaysia. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk would impact mainly on the Company's cash. Management believes current interest rate would remain fairly stable in the foreseeable future. A minor fluctuation in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2016, the Company held cash of $7,927,000 and had liabilities of $3,082,000. With the exception of advance from non-controlling interest totaling $2,983,000 described under Note 10 of the financial statements, all of the Company's liabilities have contractual matures of less than 30 days and were subject to normal trade terms. Liquidity risk is assessed as minimal.

Other Price Risk
The Company's investment in publicly traded equity securities AHP and IHC are classified as available-for-sale. AHP is listed on Canadian public stock exchange TSX Venture (TSXV). IHC is listed on Singapore Stock Exchange (SGX). A $0.10 change in the Canadian dollar equivalent quoted share price would have an impact net of tax on the fair values as follows:

EQUITY SECURITIES	FINANCIAL IMPACT
AHP	$ 350,000
IHC	1,030,000

Real Estate Development Risk
The Company is exposed to certain risks associated with real estate development industry. These include planning permit risk, construction pricing risk, revenue risk associated with supply and demand of residential multi-family units for sale in the market and general market risk. Company mitigates these risks by partnering with other reputable experienced developers, maintaining good communication and a cooperative working relationship with the city planning department, hiring experienced consultants in designing, costing, marketing and construction phase of the development project and whenever possible, entering into fixed-price contracts with general contractors or sub-contractors.

FUTURE ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following standards and interpretations are not yet effective and will only be applied for the first time in future periods. They may result in consequential changes to the accounting policies and other note disclosures. The Company has not yet assessed the impacts of the standards or determines whether it will adopt the standards early:

Amendments to IAS Presentation of Financial Statement are designed to encourage companies to apply professional judgment to determine what information to disclose in the financial statements. In addition, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendment is effective for annual periods beginning on or after January 1, 2016.

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers establishes a five-step model that will apply to revenue earned from a contract, regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

IFRS 16 Leases replaces IAS 17 – Leases and requires leases to account for leases on the balance sheet by recognizing a right to use asset and lease liability. The standard is effective for the annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

CONTROL OVER DISCLOSURE AND FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with International Financial Reporting Standards (IFRS).

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

ADDITIONAL INFORMATION

Additional information related to the Company is available on SEDAR at www.sedar.com