# YUNTONE CAPITAL CORP.

## CONDENSED INTERIM FINANCIAL STATEMENTS
**(Expressed in Canadian dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014**

**Prepared by Management**

Notice of No Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor

**YUNTONE CAPITAL CORP.**
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
*(Expressed in Canadian dollars)*
*(Unaudited, Prepared by Management)*

| | September 30, 2015 (Unaudited) | December 31, 2014 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | $ 1,435 | $ 609 |
| Amounts receivable | 1,334 | 2,690 |
| **Total assets** | $ 2.787 | $ 3,299 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 41,922 | $ 37,530 |
| Due to related party (Note 6) | 9,883 | 5,000 |
| | 51,805 | 42,530 |
| **Shareholders' deficit** | | |
| Share capital (Note 4) | 290,444 | 290,444 |
| Share-based compensation reserve | 44,160 | 44,160 |
| Deficit | (383,622) | (373,835) |
| | (49,018) | (39,231) |
| **Total liabilities and shareholders' deficit** | $ 2,787 | $ 3,299 |

**Nature and continuance of operations** (Note 1)

**Authorized for issuance on behalf of the Board on November 30, 2015:**

*"George Wang"* Director *"Xiang Xia"* Director

The accompanying notes are an integral part of these interim financial statements.

**YUNTONE CAPITAL CORP.**
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(*Expressed in Canadian dollars*)
*(Unaudited, Prepared by Management)*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2015** | **September 30, 2014** | **September 30, 2015** | **September 30, 2014** |
| | **$** | **$** | **$** | **$** |
| **Expenses** | | | | |
| Accounting and audit | - | 1,500 | 1500- | 9,600 |
| Agency fees | 1,047 | 752 | 3,100 | 3,555 |
| Bank charges | 51 | 53 | 187 | 239 |
| Filing fees | 1,250 | 1,250 | 5,000 | 2,729 |
| | 2,348 | 3,555 | 9,787 | 16,123 |
| **Net loss and comprehensive loss for the period** | **2,348** | **3,555** | **9,787** | **16,123** |
| **Basic and diluted loss per common share** | **(0.00)** | **(0.00)** | **(0.00)** | **(0.01)** |
| **Weighted average number of common shares outstanding (**Note 4**)** | **3,411,200** | **3,411,200** | **3,411,200** | **3,411,200** |

The accompanying notes are an integral part of these interim financial statements.

**YUNTONE CAPITAL CORP.**
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(*Expressed in Canadian dollars*)
*(Unaudited, Prepared by Management)*

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | Shares | Amount | Share-Based Compensation Reserve | Deficit | Total Equity |
| Balance, December 31, 2013 | 3,411,200 | $ 290,444 | $ 44,160 | $ (351,384) | $ (16,780) |
| Comprehensive loss | - | - | - | (12,568) | (12,568) |
| Balance, September 30, 2014 | 3,411,200 | $ 290,444 | $ 44,160 | $ (367,507) | $ (32,903) |
| | | | | | |
| Balance, December 31, 2014 | 3,411,200 | $ 290,444 | $ 44,160 | $ (373,835) | $ (39,231) |
| Comprehensive loss | - | - | - | (7,439) | (7,439) |
| Balance, September 30, 2015 | 3,411,200 | $ 290,444 | $ 44,160 | $ (383,622) | $...... (49,018) |

The accompanying notes are an integral part of these interim financial statements.

**YUNTONE CAPITAL CORP.**
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(*Expressed in Canadian dollars*)
*(Unaudited, Prepared by Management)*

| | Nine Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | $ (9,787) | $ (16,123) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 1,356 | (533) |
| Prepaid expenses | 0 | 1,250 |
| Accounts payable and accrued liabilities | 4,392 | (33) |
| Due to Related Party | 4,883 | |
| **Cash used in operating activities** | 844 | (15,439) |
| **Net increase in cash during the period** | 844 | (15,439) |
| **Cash, beginning of the period** | 609 | 17,813 |
| **Cash, ending of the period** | 1,453 | $ 2,374 |

The accompanying notes are an integral part of these interim financial statements.

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Yuntone Capital Corp. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on March 6, 2008 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company's planned principal activity is to use its capital to investigate and acquire a business or group of assets (the "Qualifying Transaction"). The head office and principal address of the Company is located at 750-625 Howe Street, Vancouver, BC, V6C 2T6.

The Company does not currently have operations or assets capable of generating ongoing revenues or cash flows and it did not complete a Qualifying Transaction within the time specified by TSX Venture Exchange Policy 2.4., which is generally 24 months from the date its shares are listed for trading on the TSX Venture Exchange.

Effective at the opening on August 23, 2011, the Company's listing was transferred to the NEX Board of the TSX Venture Exchange and trading was reinstated in the securities of the Company. The trading symbol for the Company changed from YTC.P to YTC.H.

At September 30, 2015, had an accumulated deficit of $383,622 (December 31, 2014: $373,835) which has been funded by the issuance of equity and loans from a related party. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. Although these financial statements have been prepared and presented on a going concern basis, the factors outlined above raise significant doubt about the ability of the Company to continue as a going concern, in which case this basis of presentation will not be appropriate. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

## 2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed interim financial statements ("interim financial statements") are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014.

The condensed interim financial statements of the Company for the three months ended September 30, 2015 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on November 30, 2015.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3(a) and 3(b). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in Canadian dollars unless otherwise stated.

c) Functional Currency

The functional and presentation currency of the Company is the Canadian dollar.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policies

The accounting policies applied in preparation of these interim condensed financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2014. In addition, the Company adopted the following accounting policies effective January 1, 2015:

**IAS 32 *Financial Instruments: Presentation* -** In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The adoption of this IFRS did not impact the Company's financial statements.

**IAS 36 *Impairment of Assets*** - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal. The adoption of this IFRS did not impact the Company's financial statements.

**IFRIC 21 *Levies*** - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this IFRS did not impact the Company's financial statements.

## 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

a) New accounting standards effective January 1, 2017:

**IAS 1 *Presentation of Financial Statements* -** In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

**IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

## 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

b) The following standard will be effective for annual periods beginning on or after January 1, 2018:

**IFRS 9 *Financial Instruments*** - In November 2009, as part of the IASB project to replace IIAS 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## 5. SHARE CAPITAL

**Authorized:**

Unlimited common shares, without par value
Unlimited preferred shares, without par value
Issued and outstanding: 3,411,200 (December 31, 2014: 3,411,200) – See Statements of Changes in Equity.

**Escrow Shares**

The Company originally had 2,800,000 common shares held in escrow that were to be released pro-rata to the shareholders, as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX-V upon completion of a Qualifying Transaction and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. Upon being transferred to the NEX Board, the Company was required to cancel half of the escrow shares, leaving 1,400,000 escrow shares to ultimately be released based on these percentages after it completes a Qualifying Transaction. These escrow shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled. 1,400,000 common shares remained in escrow as at September 30, 2015 and December 31, 2014.

**Stock options**

The Company adopted a stock option plan (the “Stock Option Plan”) under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

There were no stock options outstanding as of September 30, 2015 and December 31, 2014.

(*Expressed in Canadian dollars*)

## 6. RELATED PARTY TRANSACTION

As at September 30, 2015, the Company has $9,883 due to the Chief Executive Officer of the Company, composed of amounts he has lent to the company to cover its ongoing obligations. The loan is unsecured, interest free and is due on demand.

## 7. FINANCIAL INSTRUMENTS AND RISK

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 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 for the asset or liability that are not based on observable market data (unobservable inputs).

***Fair Value of Financial Instruments***

The Company's financial instruments include cash, accounts payable and amounts due to related party. The carrying values of these instruments approximate their fair values due to the relatively short periods of maturity of these instruments.

As at September 30, 2015, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2014, are shown in the table below:

| | **September 30, 2015** | | **December 31, 2014** | |
|---|---|---|---|---|
| | **Fair Value** **$** | **Carrying Value** **$** | **Fair Value** **$** | **Fair Value** **$** |
| **Financial asset** | | | | |
| Cash | 1,435 | 1,435 | 609 | 609 |
| **Financial liabilities** | | | | |
| Accounts payable | 41,922 | 41,922 | 37,530 | 37,530 |
| Due to related party | 9,883 | 9,883 | 5,000 | 5,000 |

The fair values of the Company's financial instruments measured at September 30, 2015, constitute Level 1 measurements for its cash within the fair value hierarchy.

## 7. FINANCIAL INSTRUMENTS AND RISK (continued)

***Risk Management***

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meets its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, accounts payable and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet liabilities when due. As at September 30, 2015, the Company had a cash balance of $1,435 (December 31, 2014 - $609) to settle current liabilities of $51,805 (December 31, 2014 - $42,530). 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.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has no interest-bearing debt. Accordingly there is minimal interest rate risk.

(b) Foreign currency exchange rate risk

The Company does not have assets or liabilities in foreign currency and therefore is not exposed to foreign currency risk.

A sensitivity analysis has not been presented as the Company currently has no significant exposure to fluctuations in interest or foreign exchange rates.

## 8. CAPITAL MANAGEMENT

The Company's objective is to safeguard its ability to continue as a going concern in order to identify and complete a Qualifying Transaction.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk of characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company issues new shares through private placements.

The Company currently does not have sufficient cash for operations and must rely on equity financing or advances from officers, directors or shareholders to finance operations or any Qualifying Transaction.

As at September 30, 2015, the Company's capital structure consists of all components of shareholder's equity. The Company does not pay dividends. The Company will be subject to, among other things, a $50,000 ongoing net working capital requirement after it is qualified to move from NEX and re-list on the TSX-V.

## 9. SUBSEQUENT EVENT

Company shares were halted from trading at the request of the company on October 9, 2015, as the Company entered into a Letter of Intent for a proposed Qualifying Transaction.