CROWNIA HOLDINGS LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

This management discussion and analysis is dated November 27, 2015. The following is a discussion of the consolidated interim financial condition and operations of Crownia Holdings Ltd. ("Crownia" or the "Company") for the three months ended September 30, 2015 and of certain factors that the Company believes may affect its prospective financial condition, cash flows and results of operations. This discussion and analysis should be read in conjunction with the consolidated interim financial statements for the three months ended September 30, 2015 and accompanying notes of the Company.

The Company's audited consolidated financial statements and consolidated interim financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in United States dollars. References to notes are to notes of the consolidated interim financial statements unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Overview

The Company was incorporated under the Business Corporations Act (British Columbia) on July16, 2012 as a Capital Pool Company as defined in the TSX Venture Exchange (the "TSX-V" or "Exchange") Policy 2.4. On April 14, 2014, the Company filed a final prospectus with the securities regulatory authorities in British Columbia and Alberta and with the TSX-V. On May 22, 2014, the TSX-V approved the Initial Offering Prospectus (the "IPO") and the Company began trading under the symbol of LXC.P on May 23, 2014. The Principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT").

On September 11, 2015, the Company completed the QT through the acquisition of all of the outstanding equity securities of Jinsili International Steel Holdings Co., Ltd. ("Jinsili") (the "Acquisition"). Pursuant to a share purchase and exchange agreement with respect to the Acquisition, the Company acquired all of the issued and outstanding equity securities of Jinsili from Xizhou Tong, the sole shareholder thereof in exchange for the issuance of an aggregate of 22,000,000 Common Shares in the capital of the Company. As a result of the Acquisition, Jinsili is now a wholly- owned subsidiary of the Company.

In connection with the QT, Xizhou Tong, the President and a Director of the Company, has ownership or exercises control or direction over an aggregate of 22,000,000 common shares in the capital of the Company, representing approximately 68.37% of the issued and outstanding common shares of the Company, on fully diluted basis.

In connection with the Qualifying Transaction, the Company completed a non-brokered private placement financing (the "Concurrent Financing") of an aggregate of 2,500,000 Common Shares at a price of $0.15 (CAD $0.20) per Concurrent Financing Share for aggregate gross proceeds of approximately $377,400 (CAD $500,000).

On September 15, 2015, the Company resumed trading in its common shares to commence at the opening of the market. The shares are reinstated for trading under the symbol "CNH". The Company is classified as an "Industrial" Tier 2 Issuer on the Exchange.

Since the QT is accounted for as a reverse take-over transaction, Jinsili is treated as an accounting acquirer and the Company is treated as an accounting acquiree. As such, the consolidated interim financial statements and the following discussions are completed on the basis that Jinsili is the continuance operating entity. Therefore, the comparative information is of Jinsili as of September 30, 2014.

NARRATIVE DESCRIPTION OF THE BUSINESS

Jinsili is a global specialty steel trader and distributor, which sells specialty steel products by virtue of the integration of Chinese strategic steel suppliers and global steel customers. Jinsili focuses on providing supply of specialty steel products to its customers in international markets.

Principal Products

Specialty steel refers to steel produced using special techniques, with special characteristics and special purposes. Specialty steel can be categorized by shape, and includes bar steel, plates, strip steel, tube steel and wire steel. Specialty steel products, especially tool and die steel, are considered as an important part of the "modern industries" and are different from the traditional iron and steel products. Modern industries are those industries using current technology, equipment for production, such as the automotive industry, oil and gas industry, molding industry, and etc.

BUSINESS HIGHLIGHTS

Revenue for the three-month period ended September 30, 2015 was $2,896,635 compared to $1,925,558 which increased by 50%. The increase of the revenue was primarily a result of new sales development in Bangladesh and other territories.

Net loss was $615,518 for the three-month period ended September 30, 2015 compared to a net income of $31,383 for the period ended September 30, 2014. The decrease was primarily attributed to the increased operating expenses due to the listing expense arising from the completion of the Qualifying transaction as a reverse take-over.

In November, Jinsili successfully won two tenders and entered into two letters of intent ("LOIs") with two companies owned by the Bangladesh Ministry of Defence, representing total contract size of approximately US$1,000,000 (CAD$1.3 million).

The first LOI was signed with Dockyard & Engineering Works Ltd. ("DEW"). Pursuant to this DEW LOI, Crownia is to deliver 480 metric tonnes of MS angle, MS Tee Girder and MS Bulb bar steel products for a total purchase price of US$223,900 at an average price of US$466 per metric tonne. DEW is one of the oldest dockyard/shipyards in the Indian subcontinent and possesses a long history of ship building and repair work. It was established in 1926 on the eastern bank of river Shitalakkha, in the city of Narayanganj, approximately 32 km from the capital city of Dhaka. DEW has been owned by the Ministry of Defence and operated by the Bangladesh Navy since 2006.

The second LOI was signed with Khulna Shipyard Limited ("Khulna"). The Khulna LOI calls for a total purchase price of US$751,100 with an average price of US$370 per metric tonne for a total of 1,850 metric tonnes of MS steel plate products. Khulna is an independent government-owned commercial enterprise controlled by the Ministry of Defense and operated by the Bangladesh Navy. Khulna, with over five decades of industry experience, has been a leader in the Bangladesh Shipbuilding industry and has built a wide range of vessels conforming to international specifications and regulations.

On October 9, 2015, the Company granted options to certain consultants, directors, officers and employees to purchase up to aggregate 2,370,000 shares of the Company. Options granted to certain consultants, directors, officers and employees are at a price of $0.27 (CAD $0.35) per share, exercisable until October 9, 2020, with one-third of such stock options vesting on the date of grant, and another one-third vesting on the first and second anniversary of the date of grant, respectively.

Options granted to certain consultants and employees are at a price of $0.27 (CAD $0.35) per share, exercisable until October 9, 2020, with 10% of such stock options vesting on the date of grant, 20% on the first anniversary, 30 % on the second anniversary and 40% on the third anniversary of the date of grant.

The Company completed its Qualifying Transaction as of September 11, 2015 as disclosed above.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the interim consolidated financial statements for the three month ended September 30, 2015.

As of September 30, 2015, the Company had a cash and cash equivalents balance of $614,162 (June 30, 2015 - $76,034), prepaid expense of $2,923 (June 30, 2015 - $20,885), accounts receivable of $2,933,682 (June 30, 2015 - $2,817,751), and total current assets of $3,571,078 (June 30, 2015 - $2,938,261). The increase in total current assets was mainly due to the increase of cash and cash equivalents with the improved working capital and completion of the current non-brokered financing in connection to the Qualifying transaction.

Current liabilities at September 30, 2015 totalled $936,671 (June 30, 2015 - $1,058,669). Long-term liabilities at September 30, 2015 was $241,903 (June 30, 2015 - $212,553). Shareholders' equity is comprised of common shares of $1,301,662 (June 30, 2015 - $50,000), retained earnings (deficit) of $1,111,459 (June 30, 2015 - $1,726,977), reserves of $78,531 (June 30, 2015 - $nil), accumulated other comprehensive income of $5,158 (June 30, 2015 - $8,056) and for a net of $2,496,810 (June 30, 2015 – $1,785,033).

Working capital, which is comprised of current assets less current liabilities, is $2,634,407 at September 30, 2015 compared to a working capital of $1,879,592 at June 30, 2015. Management believes that there is sufficient working capital to maintain the Company's day-to-day operations.

During the three month period ended September 30, 2015, the Company reported a net loss of $615,518 (($0.03)) basic and diluted income per share) compared to a net income of $31,383 ($0.00 basic and diluted income per share). The decrease of net income is primarily a result of the listing expense of $890,996 arising from the Qualifying transaction.

The weighted average number of common shares outstanding for the three months ended September 30, 2015 was 23,910,054 (September 30, 2014 – 50,000).

Revenues

Revenue for the three-month period ended September 30, 2015 was $2,896,635 compared to $1,925,558. The increase of the revenue was primarily a result of new sales development in Bangladesh and other territories.

Cost of Sales / Gross Margin

Cost of sales for the three-month period ended September 30, 2015 was $2,365,041 and $1,556,495 for the same period ended September 30, 2014. The percentage of increase corresponded to the growth of sales and was a result of the growing revenue. The Company has been working on expanding the sales territories as well as its customer bases.

Expenses

Operating expenses were $1,127,352 for the three-month period ended September 30, 2015 compared to $297,086 for the three-month period ended September 30, 2014. Expenses for the period include,

- Accounting and audit of $98,890 (September 30, 2014 - $128,520) was primarily consisted of audit fee, the decrease of expense from comparative period is because three years of audits were performed in the comparative period for the filing statements purpose.

- Consulting services expenses of $14,368 (September 30, 2014 - $10,358) was related to engagement of various consultants for the Company after the completion of the Qualifying transaction, and expected to be consistent in the near future.

- Filing and transfer agent expense of $6,096 (September 30, 2014 - $nil) consisted of fees paid to transfer agent and relevant regulatory filing fees, the increase was a result of becoming a public company, the expense is expected to continue and will vary according to the amount of activities,

- Legal fees of $29,650 (September 30, 2014 - $28,098) related mainly to the legal works for completing the Qualifying Transaction, the expense is expected to continue for the public listed company,

- Listing expense of $890,996 (September 30, 2014 - $nil) arises as a result of the Qualifying transaction as a reverse take-over transaction. The Company acquired 100% equity interest of Jinsili for issuance of 22,000,000 shares of the Company. Therefore, the former shareholder of Jinsili has become a major shareholder of the Company and constituted the transaction as a reverse takeover.

- Meal and travel expenses of $10,355 (September 30, 2014 - $15,422) are a result of expected travelling and meals in for carrying out the normal course of business, which are expected to continue and may increase with the growth of the Company,

- Office expense of $37,101 (September 30, 2014 - $30,725) related to telephone, office maintenance expenses and miscellaneous expenses, the increase was mainly due because of an office space rented for its representative office in Shenzhen,

- Wages and salaries expense of $39,896 (September 30, 2014 - $83,963), the decrease of the expense was primarily a result of discontinued wages and salaries to a former significant shareholder and a former director of Jinsili.

Overall, operating expenses increased by $833,256 compared to September 30, 2014. The main increase was primarily attributed to the listing expense of $890,996 arising from the completion of the Qualifying transaction as a reverse take-over.

Finance expense was $nil for the three-month period ended September 30, 2015 compared to $40,594 for the same period ended September 30, 2014. The decrease was a result of loans being paid off.

Net Loss

Net loss was $615,518 for the three-month period ended September 30, 2015 compared to a net income of $31,383 for the period ended September 30, 2014. The decrease was primarily attributed to the increased operating expenses due to the listing expense arising from the completion of the Qualifying transaction as a reverse take-over.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for each of the last eight quarters for the three-month ended September 30, 2015 and 2014

	30-Sept-15	**30-June-15**	**31-Mar-15**	**31-Dec-14**	**30-Sept-14**	**30-June-14**
Revenue ($)	2,896,635	1,304,379	2,051,471	3,040,090	1,925,558	988,385
Net Income (Loss) ($)	(615,518)	58,259	460,461	98,862	31,383	(137,850)
Basic and diluted earnings (loss) per share ($)	(0.03)	1.17	9.21	1.98	0.63	(2.76)

	31-Mar-2014	**31-Dec-2013**
Revenue ($)	748,686	1,514,706
Net Income (Loss) ($)	43,739	442,824
Basic and diluted earnings (loss) per share ($)	0.87	8.86

Overall, accounting, consulting, legal fees, office expense, meals and travel and wages and salaries were the major components that caused variances in net income (loss) from quarter to quarter.

FINANCING ACTIVITIES

In connection with the Qualifying Transaction, the Company completed a non-brokered private placement financing of an aggregate of 2,500,000 Common Shares at a price of $0.15 (CAD $0.20) per Concurrent Financing Share for aggregate gross proceeds of approximately $377,400 (CAD $500,000).

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LIQUIDITY

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2015 and June 30, 2015, the Company had a working capital of $2,634,407 and $1,879,592. The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

Cash from operating activities during the period ended September 30, 2015, was $5,338 (September 30, 2014 - $180,151). The decrease was primarily because the Company paid off the accounts payables using the collection from accounts receivable.

Cash from investing activities during the period ended September 30, 2015 was $126,331 (September 30, 2014 - $nil). The increase is a result of completing the Qualifying transaction and consolidating the cash from Crownia Holdings Ltd.

Cash provided by financing activities during the period ended September 30, 2015 was $407,520 (September 30, 2014 – ($190,000). The increase was mainly because of the completion of a non-brokered private placement in connection to the completion of the Qualifying transaction.

The following tables detail the remaining contractual maturities at the respective reporting dates of the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	One to three years
	$	$	$	$
Accounts payable and other payable	927,353	927,353	927,353	-
Long-term related party payable	241,903	241,903	-	241,903
As of September 30, 2015	1,169,256	1,169,256	927,353	241,903
Accounts payable and other payable	1,050,871	1,050,871	1,050,871	-
Long-term related party payable	212,553	212,553	-	212,553
As of June 30, 2015	1,263,424	1,263,424	1,050,871	212,553

CAPITAL RESOURCES

The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as the Company's shareholders' equity. The Company has advances from related parties for working capital purposes and therefore net earnings generated from operations give priority to the repayment of debt and then available for reinvestment in the Company. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company is not subject to externally imposed capital requirements.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with the former Significant shareholder*

i. During the year ended June 30, 2013, the Company has received a loan of $1,000,000 (the "Loan") from Mr. Shijian Tong, the former significant shareholder of the Company. The Loan was unsecured and due on July 2014 with annual interest rate of 12%. The Loan was extended to November 7, 2017 and Mr. Shijian Tong assigned the Loan to Mr. Xizhou Tong. As of June 30, 2015, the loan has been paid off.

As of three months ended September 30, 2015, the interest expense are $nil. (Three months ended September 30, 2014 - $30,000)

(b) Transactions with Shenzhen China Kyle Special Steel Co. Ltd. ("Shenzhen China-Kyle ")

i Shenzhen China-Kyle is an export-oriented Chinese company which specializes in special steel supply. The former CEO of the Company holds a key management position at Shenzhen China-Kyle. The current CEO owns 30% of Shenzhen China-Kyle.

On April 28, 2012, Jinsili entered into a labour cooperation agreement, among Shenzhen Foreign Labour Service Company, with Shenzhen China-Kyle, pursuant to which Shenzhen China-Kyle agrees to provide labour management services for Jinsili for a period of 5 years. On August 1, 2014, Jinsili entered into an operation cooperation agreement with Shenzhen China-Kyle, pursuant to which Shenzhen China-Kyle provides office space as well as management and administrative services to Jinsili. Jinsili shall be responsible for the rents, office expenses, salaries, benefits and travel expenses in respect of the office space and staff that Jinsili has utilized and engaged pursuant to the labour cooperation agreement and operation cooperation agreement. Expenses were incurred by Shenzhen China-Kyle on behalf of Jinsili for the three months ended September 30, 2015 and 2014 pursuant to the operation cooperation agreement, Jinsili will pay off these management expenses to Shenzhen China-Kyle by December 31, 2016 at its discretion with no interest. On August 31, 2015, both parties agreed to terminate the labour cooperation agreement as of August 31, 2015 without any penalty. As of September 30, 2015, the balance owing to Shenzhen China-Kyle is $241,903 (June 30, 2015 - $212,553).

	For the period ended September 30,	
	2015	2014
	$	$
Office expenses	-	8,514
Salaries and benefits	-	42,540
Travel	-	11,775
	-	62,829

ii On May 17, 2012, the Company and Shenzhen China Kyle entered into a business strategy and export agency agreement. Under the agreement, Shenzhen China Kyle acts as the agent to purchase inventories for the Company in China. For each purchase transaction, China Kyle earns a minimum of 3% commission on the purchase price plus an additional 1% service charges. On December 31, 2014, the Company and Shenzhen China Kyle mutually terminated the export agency agreement.

Purchases made from Shenzhen China Kyle during the three months ended September 30, 2015 and 2014 are described below:

	For the period ended September 30,	
	2015	2014
	$	$
Shenzhen China-Kyle	-	516,637

(c) *Related party compensation*

i During the three months ended September 30, 2015 and 2014, the following amounts were incurred with respect to the officers of the Company:

	For the period ended September 30,	
	2015	2014
	$	$
Consulting services	2,636	-
Wages and salaries	10,303	9,694

ii During the three months ended September 30, 2015 and 2014, the following amounts were incurred with respect to consulting services provided by a corporation controlled by the Chief Executive Officer:

	For the period ended September 30,	
	2015	2014
	$	$
Consulting services	7,530.00	-

(d) *Balance with Related Parties*

As at September 30, 2015 and June 30, 2015, the following amounts remained outstanding (See Transactions with Related Parties (b) i):

	As of September 30, 2015	As of June 30, 2015
	$	$
Long-term related party payable	241,903	212,553

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

All significant critical accounting estimates are fully disclosed in Note 2 of the interim consolidated financial statements for the period ended September 30, 2015.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Classification of Financial Instruments:

(a) Fair Values

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

- Level 1 Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities
- Level 2 Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly
- Level 3 Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

As at September 30, 2015 and June 30, 2015, cash is assessed to be level 1 instrument.

The fair values of other financial instruments, which include accounts receivable, other receivable, and accounts payable approximate their carrying values due to the relatively short-term maturity of these instruments.

For long-term related party payable, it is initially measured at fair value, which is determined by discounting future payments of principal and interests under long-term payable at the market interest rate at reporting dates.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

100% of the Company's revenue for the three months ended September 30, 2015 and 2014 were derived from export sales. The Company has one major customer, who represents 100% of accounts receivable as at September 30, 2015 (June 30, 2015 – 100 %). This major customer also represents 100% of total revenue for the three months ended September 30, 2015 (Three months ended September 30, 2014 – nil%). The collectability of accounts receivable from this major customer could significantly impact the operation of the Company. Subsequent to September 30, 2015, the Company has collected $524,900.

The aging of accounts receivable as at the reporting date is:

	As at September 30, 2015	As at June 30, 2015
	$	$
Past due within 30 days	1,149,696	161,456
Past due 30 - 90 days	1,599,416	578,683
Past due 91 - 120 days	184,571	214,184
Past due 121 - 180 days	-	1,863,428
	2,933,682	2,817,751

(c) Currency Risk

Currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk, which arises primarily on fluctuations between the US Dollar and the Canadian Dollars and the US Dollar and the HK Dollar, is considered minimum given the foreign transactions are limited.

(d) Price Risk

The Company is exposed to price risk with respect to fluctuations in the market price or availability of special steels could impact the Company's cash flow and purchase.

The Company's profitability depends on the selling price and purchase price of its products to customers. These prices are subject to various legislation, regional supply and demand and general economic conditions.

(e) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal.

SUBSEQUENT EVENT

On October 9, 2015, the Company granted options to certain consultants, directors, officers and employees to purchase up to aggregate 2,370,000 shares of the Company. Options granted to certain consultants, directors, officers and employees are at a price of $0.27 (CAD $0.35) per share, exercisable until October 9, 2020, with one-third of such stock options vesting on the date of grant, and another one-third vesting on the first and second anniversary of the date of grant.

Options granted to certain consultants and employees are at a price of $0.27 (CAD $0.35) per share, exercisable until October 9, 2020, with 10% of such stock options vesting on the date of grant, 20% on the first anniversary, 30 % on the second anniversary and 40% on the third anniversary of the date of grant.

On October 16, 2015, the Company incorporated a wholly owned subsidiary in British Columbia, Crownia International Trading Ltd., to be the hub for developing the Company's trading business in North and South America.

SUMMARY OF OUTSTANDING SHARE DATA

As at the date this report, the Company's share capital is as follows:

- Authorized: Unlimited common voting shares without nominal or par value.
- 31,400,000 common shares issued and outstanding
- 280,000 options and 500,000 warrants issued and outstanding

RISK AND UNCERTAINTIES

Sustainability of Supplier's Supply and Customer's Orders

Jinsili currently purchases specialty steel products from its Chinese strategic suppliers and distributes such products to its own customers. Jinsili's business and profitability depend, to a large and substantial extent, on the supplies by the Chinese strategic suppliers and orders placed by its customers. The type of products supplied by the suppliers and size of orders requested by the customers may vary from time to time depending on economic conditions, products available and customer's demand. Therefore, Jinsili's business and profitability may be adversely affected should any unfavourable changes or economic downturn occur in the global steel market, type and quality of products supplied by the Chinese suppliers and customer preference. There is no assurance that the existing Chinese strategic suppliers and global distributors will continue to supply or place orders of a similar size with Jinsili and if, any of the existing suppliers or distributors were to cease to place or to substantially reduce their supplies or orders with Jinsili, its business and profitability may be materially adversely affected.

Cyclical Nature of the Steel Products Industry

The Jinsili's results of operations are, and will continue to be, affected by the cyclical nature of the steel product industry. Prices and demand for steel products (including specialty steel products) have been, and in the future are expected to be, subject to cyclical fluctuations. The markets for steel products are sensitive to changes in the price of raw materials (such as iron ore), domestic and international demands, industry capacity and output levels, transportation and other costs (such as electricity, oil and natural gas) and cyclical changes in the global economies. Cyclical changes in the steel products industry, including changes in demand and pricing for the Jinsili's products and other factors described above, could have a material adverse effect on its business, financial conditions and results of operations.

Risk Relating to Pricing

Jinsili is exposed to price risk with respect to fluctuations in the market price or availability of specialty steel products. In addition, Jinsili has relied on one major customer, who in turn will have more pricing influence over Jinsili. While Jinsili has tried to expand its customer bases by purchasing the client database from Profitsino Global, there is no assurance that Jinsili would be able to reduce the pricing influence from Profitsino Global in the near future.

In general, pricing is the biggest factor for products that have low technological complexity and low servicing requirements, whereas the brand and performance are more important to buyers of more high-end specialty steel products. While Jinsili intends to position itself as a specialty steel trader of high-quality products in the mid to high price range, there is no assurance that Jinsili will achieve such goal or Jinsili's products have competitive advantages in terms of price against its competitors of similar business model and products line.

Operating Risks

Jinsili, as a steel trader, does not produce specialty steel products by itself nor has any fixed assets or manufacturing plans or facilities. It has a short and limited operating history under current management. Jinsili engages the Chinese strategic suppliers to provide ancillary services (such as the packaging, transportation and export of the specialty steel products) at very reasonable and favourable considerations. There are many risks associated with Jinsili's operation including, without limitation:

- Jinsili's inability to adequately supervise and monitor the performance or production of the Chinese suppliers;
- failure to honour or otherwise breach of contracts by the Chinese suppliers;
- increase of operation costs on Jinsili if the Chinese strategic suppliers increases their current consideration for the ancillary services;
- increase of general or administrative expenses on Jinsili if Shenzhen China-Kyle increases their fee structure for the labour, management and administrative services provided to Jinsili;
- global and domestic fluctuations in specialty steel prices;
- labour disputes;
- hiring and maintaining competent, productive and reliable sales representatives;

- natural disasters or other acts of God which adversely affects the shipment and transportation of the products;
- suspension of operations;
- failure to compliance with existing and new governmental statutes, regulations and policies in the jurisdictions that Jinsili and its subsidiaries carry on business; and
- other unanticipated difficulties with or interruptions in the business or operation of Jinsili.

The occurrence of material operational problems, including but not limited to the events described above, could have a material adverse effect on Jinsili's business, financial condition and results of operations, and could result in damage and possible legal liability. Satisfying such liabilities may be very costly and could have a material adverse effect on the Resulting Issuer's future cash flow, results of operations and financial condition.

Quality of Specialty Steel Products

The quality and safety of the specialty steel products supplied by Jinsili to its customers are critical to the success of its business. These factors significantly depend on Jinsili's ability to monitor the effectiveness of its suppliers' quality control systems. The effectiveness of the suppliers' quality control system depends on a number of factors, including the design of such quality control systems and Jinsili's ability to ensure that such suppliers adhere to the quality control policies and guidelines. Any significant failure or deterioration of the products that Jinsili provides to its customers could have a material adverse effect on the Company's business reputation, results of operations and financial condition. See "Information concerning Jinsili – Narrative Description of Business – Quality Control".

Reliance on Management and Key Personnel

Jinsili's success is attributable to a large extent to the leadership, resources and effort of the members of Jinsili's senior management. If one or more of the members of the senior management cease working with Jinsili, and Jinsili is unable to engage suitable replacements on a timely and commercially viable basis, the business, operation and financial conditions of Jinsili may be materially adversely affected.

Success will also require substantial marketing efforts and the expenditure of significant funds to inform potential customers. Jinsili's long-term success may also depend, to a significant extent, on their ability to expand its present customer bases and internal marketing and sales organization. There is no assurance that Jinsili will be able to attract and retain qualified or experienced marketing and sales personnel or that any marketing efforts undertaken by such personnel will be successful.

Failure of Business Plan

There is no assurance that Jinsili's business plan will succeed in whole or in part.

The success of Jinsili expansion strategies will depend on a number of factors. There is no assurance that Jinsili will be able to achieve planned expansion and growth, that modifications to its strategy will not be required or that Jinsili will be able to effectively manage expanded operations and enhance profitability.

In addition, growth could place a significant strain on Jinsili's management, operational, financial and other resources. Jinsili's ability to manage growth effectively will require the development of pricing models, service, technical backup, quality and timely delivery and improvement of operational and financial systems. Moreover, Jinsili will need to train, motivate, and manage its officers and employees as well as attract senior managers and competent sales personnel. Any failure to expand these areas and implement and improve such systems, procedures, and controls in an efficient manner at a pace consistent with Jinsili's growth could have a material adverse effect on Jinsili's business, financial condition, and results of operations.

Insurance

Jinsili does not possess any insurance for its products against losses from natural and other disasters nor does it carry product quality or liability insurance. If Jinsili were to suffer any losses in connection with its products, its business, financial conditions and results of operations could be materially adversely affected.

Competition

The steel products industry is highly competitive market, where the substantial investment in securing suitable suppliers and development of customer networks are the key entry barriers to any potential new players. Jinsili faces competition in the international markets, including competition from a number of specialty steel manufacturers in China, and competition from other global competitors who provide similar products in markets outside China. These competing companies may have greater resources and brand recognition than Jinsili. Some of Jinsili's competitors may also be better positioned to offer specialty steel products with superior product features and technological innovations and are able to better adapt to market trends than Jinsili. With such a magnitude of competition, there is no assurance that Jinsili can compete effectively or successfully against competitors who have stronger financial resources, better expertise in supply services, better quality control systems and more advanced marketing and sales networks. Should any increase in the level of competition occur which dilutes the market share of Jinsili and results in increase of its costs of sales or reduction of the price of its products, Jinsili's business and profitability may be adversely affected. See "Information concerning Jinsili – Narrative Description of Business – Competition".

Permits and Business Licenses

Jinsili currently is not required to hold any specific permits, business licenses and approvals authorizing its operations and activities in the jurisdictions where it or its subsidiaries carry on business. There is no assurance that the governments in the jurisdictions that Jinsili or its subsidiaries carry on business will not, in the future, require permits, business licenses or approval in connection with the operations and activities. Should any such requirements are imposed upon Jinisli and new permits, business licenses or approvals are not granted or delayed, Jinsili's business and profitability may be adversely affected.

Conflict of Interest of Management

Conflicts of interest may arise as a result of the proposed directors, officers and promoters of the Resulting Issuer also serving as directors or officers of other companies or having significant shareholdings in other companies.

Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Resulting Issuer. In the event that such a conflict of interest arises at a meeting of the directors of the Resulting Issuer, a director is required to disclose the conflict of interest to the board and to abstain from voting on the matter.

Integration of Future Acquisitions into Existing Operation

The Resulting Issuer may make selected acquisitions in the future. If the Resulting Issuer does make further acquisitions, any positive effect on the Resulting Issuer's results will depend on a variety of factors, including, without limitation:

- integrating the operations of an acquired business or property in a timely and efficient manner;
- maintaining the Resulting Issuer's financial and strategic focus while integrating the acquired business or property;
- implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and
- to the extent that the Resulting Issuer makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place pressure on the Resulting Issuer's cash flow if such acquisitions involve cash consideration or existing shareholders may experience dilution if such acquisitions involve share consideration. There can be no assurance that any future acquisitions will be successfully integrated into the Resulting Issuer's existing operations.

Exchange Rate Fluctuation

Exchange rate fluctuations may adversely affect the Jinsili's financial position and results. Jinsili does not currently have a policy in place for managing or controlling foreign currency risks as Jinsili's primary activities have not resulted in material exposure to foreign currency risk. Even if Jinsili did have a policy in place for managing or controlling foreign currency risks, there is no assurance that such policy would eliminate this risk.

Risks Relating to Doing Business with PRC Entities

Political and Economic Considerations

The revenues of the Resulting Issuer will be derived from sales of the specialty steel products supplied from the PRC. Accordingly, the business, financial condition and results of operations of the Resulting Issuer could be significantly and adversely affected by economic, political and social changes in the PRC. The PRC economy has been transitioning from a planned economy to a more market-oriented one, however, it still differs from the economy of most developed countries in many respects, including legal system, governmental involvement, restrictions on currency conversion and allocation of resources. A foreign presence operating in the PRC may be required to work within a framework which is different to that imposed on domestic Chinese entities.

Jinsili's business, financial condition and results of operations may be adversely affected by:

- chance in PRC political, economic and social conditions;

- changes in policies of the PRC government, including changes in policies affecting the steel import, export and trading industry;
- changes in laws and regulations or the interpretation of laws and regulations; and
- changes in the rate or method of taxation;

PRC Legal System and Enforcement

Most of the material agreements to which Jinsili and the Resulting Issuer are party to or will be party to in the future with respect to its business and operation are expected to be governed by the PRC law. The PRC legal system embodies uncertainties that could limit the legal protection available to Jinsili, the Resulting Issuer and its shareholders. The outcome of any litigation may be uncertain because: (i) the experience of the PRC judiciary is relatively limited, and (ii) the interpretation of PRC laws may be subject to policy changes reflecting domestic political changes. The laws that do exist are relatively recent and their interpretation and enforcement involve uncertainties, which could limit the available legal protections. Even where adequate law exists in the PRC, it may be impossible to obtain swift and equitable enforcement of such law or to obtain enforcement of judgments by a court of another jurisdiction. The inability to enforce or obtain a remedy under such agreements could have a material adverse impact on the Resulting Issuer.

Many tax rules are not published in the PRC, and those that are published can be ambiguous and contradictory, leaving a considerable amount of discretion to local tax authorities. The PRC currently offers tax and other preferential incentives to encourage foreign investment. However, the tax regime of the PRC is undergoing review and there is no assurance that such tax and other incentives will continue to be available.

There is also no guarantee that the pursuit of economic reforms by the PRC government will be consistent or effective and, as a result, changes in the rate or method of taxation, reduction in tariff protection and other export restrictions, and changes in state policies affecting the steel trading industry may have a negative effect on Jinsili or the Resulting Issuer's operating results and financial condition.

Recent Market Events and Conditions

Over the past several years market events and conditions, including disruptions in the Canadian, American and international credit markets and other financial systems, along with the uncertainty of the Canadian, American and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company Shares may decline even if the Company's operating results or prospects have not changed. As well, certain institutional investors may base their investment decisions on consideration of the Company's business, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company Shares by those institutions, which could adversely affect the trading price of the Company Shares.

There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company Shares may be adversely affected.

Volatile Market Price for Company Shares

The market price for Company Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's annual and quarterly results of operations;
- changes in estimates of future results of operations by Jinsili or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding Company Shares;
- sales or perceived sales of additional Company Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Dilution

In order to finance future operations and development efforts, the Company may raise funds through the issuance of Company Shares or securities convertible into Company Shares. The constating documents of the Company will allow it to issue, among other things, an unlimited number of Company Shares for such consideration and on such terms and conditions as may be established by the board of directors of the Company, in many cases, without the approval of shareholders. The Company cannot predict the size of future issuance of Company Shares or securities convertible into Company Shares or the effect, if any, that future issuance and sales of the Company Shares will have on the price of the Company Shares. Any transaction involving the issue of previously authorized but unissued Company Shares or securities convertible into Company Shares would result in, possibly substantial, dilution to present and prospective shareholders of the Company.

The Company will need to comply with Financial Reporting and other Requirements as a Public Company

As a result of the Transaction, the Company will become subject to reporting and other obligations under applicable Canadian securities laws and Exchange rules. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. In order to meet such requirements, the Company will need to establish systems, implement financial and management controls, reporting systems and procedures and hire accounting and finance staff. If the Company is unable to accomplish any such necessary objectives in a timely and effective fashion, its ability to comply with its financial reporting requirements and other rules that apply to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of Company Shares.
Management does not expect that the Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and

implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a Company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Influence by Principal Securityholder

After the Transaction, it is anticipated that the Principal Securityholder will beneficially own or control, directly or indirectly, 22,000,000 Company Shares, which in the aggregate will represent approximately 70.97% of the Company Shares issued and outstanding on completion of the Transaction. As a result, the Principal Securityholder will have the ability to control all matters submitted to holders of Company Shares for approval, including without limitation the election and removal of directors, amendments to notice of articles and articles and the approval of any business combination. This may delay or prevent an acquisition of the Company or cause the market price of its shares to decline.

Future Sales of Company Shares by the Principal Securityholder and Insiders

Subject to compliance with applicable securities laws, officers, directors, Principal Securityholder and their Affiliates may sell some or all of their Company's Shares in the future. No prediction can be made as to the effect, if any, such future sales of Company's Shares will have on the market price of such common shares prevailing from time to time. However, the future sale of a substantial number of common shares by the Company's officers, directors, Principal Securityholder and their Affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's Shares.

Outcome of Current or Future Litigation or Regulatory Actions

Due to the nature of its business, the Company may be subject to regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the discovery of evidence process, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

No assurance can be given with respect to the ultimate outcome of current or future litigation or regulatory proceeds, and the amount of any damages awarded or penalties assessed in such a proceeding could be substantial. In addition to monetary damages and penalties, the allegations made in connection with the proceedings may have a material adverse effect on the reputation of the Company and may impact its ability to conduct operations in the normal course.

Litigation and regulatory proceedings also require significant resources to be expended by the directors, officers and employees of the Company's and as a result, the diversion of such resources could materially affect the ability of the Company to conduct its operations in the normal course of business. Significant fees and expenses may be incurred by the Company's in connection with the investigation and defence of litigation and regulatory proceedings. The Company may also be obligated to indemnify certain directors, officers, employees and experts for additional legal and other expenses pursuant to such proceedings, which additional costs may be substantial and could have a negative effect on the Company's future operating results. The Company may be able to recover certain costs and expenses incurred in connection with such matters from its insurer. However, there can be no assurance regarding when or if the insurer will reimburse the Company for such costs and expenses.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.