China Education Resources Inc.

Consolidated Financial Statements
(Expressed in U.S. Dollars)

Years Ended December 31, 2017 and 2016

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 30, 2018

(signed)	(signed)
"Chengfeng Zhou"	"Danny Hon"
Chief Executive Officer	Chief Financial Officer

MNP LLP

Independent Auditors' Report

To the Shareholders of China Education Resources Inc.:

We have audited the accompanying consolidated financial statements of China Education Resources Inc. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 of these consolidated financial statements, which states that the Company had negative cash flows from operating activities and an accumulated deficit. This, along with other matters described in Note 2, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, British Columbia

MNP LLP

April 30, 2018

Chartered Professional Accountants

CHINA EDUCATION RESOURCES INC.
Consolidated Statements of Financial Position
December 31, 2017 and 2016

(Expressed in U.S. Dollars)

AS AT	Note		**December 31, 2017**		**December 31, 2016**
Assets					
Current assets					
Cash and cash equivalents		$	2,864,633	$	3,844,356
Accounts and other receivables (net of allowance for doubtful accounts of $145,019, 2016:-$31,323)	7		6,031,319		3,861,590
Prepaid expenses and deposits			87,250		103,837
Total current assets			8,983,202		7,809,783
Non-current assets					
Equipment	8		118,441		97,902
Total non-current assets			118,441		97,902
Total assets		$	9,101,643	$	7,907,685
Liabilities					
Current liabilities					
Trade and other payables	12	$	4,512,268	$	4,557,755
Deferred revenue			184,284		285,355
Taxes payable	13		926,926		1,544,785
Advance from a third party	14		-		217,047
Loans payable	15		504,872		355,235
Bank loan	16		461,070		287,480
Loans payable - related parties	21		335,747		287,689
Due to related parties	21		1,726,411		1,437,626
Total current liabilities			8,651,578		8,972,972
Shareholders' Equity					
Share capital	9		29,455,512		29,455,512
Contributed surplus			2,714,918		2,624,782
Accumulated other comprehensive income			858,323		875,723
Deficit			(33,392,184)		(34,749,941)
Total shareholders' deficiency attributable to shareholders' of the Company			(363,431)		(1,793,924)
Non-controlling interest	22		813,496		728,637
Total Equity (deficiency)			450,065		(1,065,287)
Total liabilities and shareholders' equity		$	9,101,643	$	7,907,685

Approved by the Board:

"Chengfeng Zhou"
Director

"Danny Hon"
Director

(The accompanying notes are an integral part of these consolidated financial statements)

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)

	Note	2017	2016
Revenue			
Book sales and distribution services		$ 5,249,251	$ 7,411,968
Online products		6,576,744	6,008,379
		11,825,995	13,420,347
Cost of sales			
Book sales and distribution services		(3,087,355)	(4,171,580)
Online products		(2,933,127)	(2,203,027)
Gross profit		5,805,513	7,045,740
Depreciation	8	(34,880)	(28,918)
General and administrative	17	(1,647,715)	(1,495,967)
Selling commission, marketing and copyrights		(3,179,954)	(3,890,126)
Other expense		(4,965)	(48,742)
Other income		8,732	11,057
Operating profit		946,731	1,593,044
Finance income		43,738	46,292
Finance costs		(120,266)	(190,518)
Net finance costs		(76,528)	(144,226)
Net income before income taxes		870,203	1,448,818
Income taxes recovery (expenses)		532,806	(291,770)
Net income for the year		$ 1,403,009	$ 1,157,048
Other comprehensive income (loss) for the year, net of income taxes			
Change in fair value of marketable securities		-	38,165
Unrealized exchange gain (loss) on translation of foreign operations		22,207	(130,015)
Other comprehensive loss for the year, net of income taxes		22,207	(91,850)
Compreshensive income for the year		$ 1,425,216	$ 1,065,198
Net income attributable to:			
Shareholders of the Company		$ 1,357,757	$ 916,204
Non-controlling interest	22	45,252	240,844
Net income for the year		$ 1,403,009	$ 1,157,048
Comprehensive income (loss) attributable to:			
Shareholders of the Company		$ 1,340,357	$ 869,374
Non-controlling interest	22	84,859	195,824
Comprehensive income for the year		$ 1,425,216	$ 1,065,198
Earnings per share			
Basic earnings per share	10	$ 0.03	$ 0.02
Diluted earnings per share	10	$ 0.03	$ 0.02
Weighted average number of common shares used to calculate basic earnings per share		47,364,983	47,364,983
Weighted average number of common shares used to calculate diluted earnings per share		48,060,826	47,364,983

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)	Number of Shares	Share Capital	Contributed Surplus	Accumulative Other Comprehensive Income Account	Deficit	Total	Non-Controlling Interest	Total Equity (Deficiency)
	Attributable to equity holders of the Company							
Balance December 31, 2015	47,364,983	$ 29,455,512	$ 2,619,455	$ 922,553	$ (35,666,145)	$ (2,668,625)	$ 532,813	$ (2,135,812)
Net income for the year ended December 31, 2016	-	-	-	-	916,204	916,204	240,844	1,157,048
Changes in fair market value of marketable securities	-	-	-	22,899	-	22,899	15,266	38,165
Foreign currency translation differences	-	-	-	(69,729)	-	(69,729)	(60,286)	(130,015)
Stock-based compensation	-	-	5,327	-	-	5,327	-	5,327
Balance December 31, 2016	47,364,983	29,455,512	2,624,782	875,723	(34,749,941)	(1,793,924)	728,637	(1,065,287)
Net income for the year ended December 31, 2017	-	-	-	-	1,357,757	1,357,757	45,252	1,403,009
Foreign currency translation differences	-	-	-	(17,400)	-	(17,400)	39,607	22,207
Stock-based compensation	-	-	90,136	-	-	90,136	-	90,136
Balance December 31, 2017	47,364,983	$ 29,455,512	$ 2,714,918	$ 858,323	$ (33,392,184)	$ (363,431)	$ 813,496	$ 450,065
					-			

(The accompanying notes are an integral part of these consolidated financial statements)

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in U.S. Dollars)

	2017	2016
Cash flows from operating activities		
Income for the year	$ 1,403,009	$ 1,157,048
Adjustments for:		
Depreciation	34,880	28,918
Loss on disposition of fixed assets	4,105	-
Provision of accounts receivable	107,385	31,323
Share-based payment	90,136	5,327
Changes in accounts and other receivables	(1,939,119)	1,240,985
Changes in prepaid expenses and deposits	22,916	(18,990)
Changes in trade and other payables	(318,437)	(354,750)
Changes in taxes payable	(342,832)	134,819
Changes in deferred revenue	(116,333)	(273,486)
	(1,054,290)	1,951,194
Interest paid	(32,817)	(64,797)
Taxes paid	(347,056)	(139,369)
Net cash (used in) provided by operating activities	(1,434,163)	1,747,028
Cash flows from investing activities		
Acquisition to equipment	(52,235)	(12,140)
Proceeds from disposal of marketable securities	-	119,586
Net cash (used in) provided by investing activities	(52,235)	107,446
Cash flows from financing activities		
Change in restricted cash	-	372,337
Proceeds from bank loan	443,940	451,830
Proceeds from third parties loan	1,078,034	988,839
Repayment of bank loan	(295,960)	(150,610)
Repayment of third parties loan	(1,148,267)	(1,317,838)
Loan received from (paid to) related parties	26,885	(79,001)
Advance from (to) third parties	-	150,610
Advance from related parties	181,333	194,605
Net cash provided by financing activities	285,965	610,772
Net (decrease) increase in cash	(1,200,433)	2,465,246
Cash, beginning of the year	3,844,356	1,594,835
Effect of exchange rate fluctuations on cash held	220,710	(215,725)
Cash, end of the year	$ 2,864,633	$ 3,844,356

(The accompanying notes are an integral part of these consolidated financial statements)

1. Reporting Entity

China Education Resources Inc. ("the Company") is a company domiciled in Canada. The address of the Company's registered office is Suite 300, 515 West Pender Street, Vancouver, B.C., V6B 6H5. The consolidated financial statements of the Company as at and for the years ended December 31, 2017 and 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group provides an education internet portal with educational content, resources and training programs to users in People's Republic of China ("China") and distributes educational textbooks and materials developed by the Group to bookstores and schools in China.

2. Going Concern

As at December 31, 2017, the Group had net working capital of $331,624 (December 31, 2016: working capital deficiency $1,163,189), negative cash flow from operating activities of $1,434,163 (December 31, 2016: positive cash flow from operating activities $1,747,028) and an accumulated deficit of 33,392,184 since inception. The appropriateness of using the going concern basis is dependent upon, among other things, the continuing growth of the Company's revenue to achieve a profitable level of operations by the Group. The outcome of these matters cannot be predicted at this time. Specifically, it is dependent upon the ability of the Group to obtain necessary financing.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, primarily as a result of the conditions described above, there is material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Group be unable to continue as a going concern. Management of the Group is of the opinion that it will be in position to raise ongoing financing; however, there is no certainty that these and other strategies will be sufficient to permit the Group to continue as a going concern.

3. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective December 31, 2017.

The policies applied in these consolidated financial statements are based on IFRS issued as of December 31, 2017. These consolidated financial statements were authorized to issue by the audit committee and Board of Directors of the Group on April 30, 2018.

3. Basis of Preparation - Continued

(b) Basis of preparation

These consolidated financial statements are presented in U.S. dollars, which is the Group's reporting currency. The functional currency of the Company and its subsidiary in Canada is Canadian dollars and the functional currency of the Company's subsidiaries in China is Chinese Renminbi ("RMB").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss and available-for-sale that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Theses consolidated financial statements include the accounts of the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. A summary of the Company's subsidiaries are as follows:

		Ownership interest	
Name of subsidiary	Country of incorporation	December 31, 2017	December 31, 2016
CEN China Education Network Ltd. ("CEN Network")	Canada	100%	100%
China Education International Inc. (inactive)	BVI	100%	100%
CEN China Education Overseas Corporation (inactive)	BVI	100%	100%
CEN Smart Networks Ltd. ("CEN Smart")	China	100%	100%
Today's Teachers Technology & Culture Ltd. ("TTTC")	China	100%	100%
The Winning Edge Ltd. ("TWE") (inactive)	China	100%	100%
Zhong Yu Cheng Yuan Education Technology Ltd. ("ZYCY")	China	60%	60%

Inter-company balances and transactions and any unrealized gains or losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas of assumptions and estimates

(i) Allowance for doubtful accounts

The Group extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by actively pursuing past due accounts. As at December 31, 2017, allowance for doubtful accounts is $145,019 (December 31, 2016 - $31,323) based on management's assessment of credit history with the customers and current relationships with them.

(ii) Deferred taxes

The Group recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Group to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted.

(iii) Share-based payments

Share-based payments are valued using the Black-Scholes Option Pricing Model at the date of grant and expensed in profit or loss over vesting period of each award. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

(iv) Income Tax

Tax regulations are very complex and changing regularly. As a result, the Company is required to make judgments about the tax applications and probability of certain tax exposure. Also, all tax returns are subject to further government's reviews, with the potential reassessments. All those facts can impact income tax provisions and operation results. For the year ended December 31, 2017, the Company reassessed the tax provision and penalty accrued 10 years ago due to the uncertainty of deductibility of certain expenses. Based on the laws and regulations in China and management's best estimates, it is not probable that the deductibility of the expenses would be challenged by the tax authority in the future. Therefore, the tax provision of $635,088 and accrued penalty of $270,289 have been reversed during the year ended December 31, 2017

(v) Going concern

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2017 and 2016. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there is a significant doubt as to the ability of the Group to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in currencies other than the functional currencies ("foreign currencies") are initially recorded by the Group and its subsidiaries at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of loss and comprehensive loss.

4. Significant Accounting Policies – Continued

(a) Foreign currency – Continued

(i) Foreign currency transactions – Continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income in the accumulated other comprehensive income.

(b) Financial instruments – Recognition and Measurements

All financial instruments are classified into one of five categories: fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are initially measured at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- fair value through profit and loss financial instruments are measured at fair value and changes in fair value are recognized in profit or loss;
- available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the asset is derecognized or impaired at which time the amounts would be recorded in profit or loss;
- loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest method.

The Group has classified its financial instruments as follows:

Cash and cash equivalents	Fair value through profit and loss
Accounts receivable and other receivable excluding GST/VAT	Loans and receivables
Trade and other payables, due to related parties	Other financial Liabilities
Advance from a third party	Other financial Liabilities
Loans payable (including related parties loan) and bank loan	Other financial liabilities

4. Significant Accounting Policies - Continued

(b) Financial instruments – Recognition ad Measurements - Continued

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks, cash on hand and short-term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The Company has no cash equivalent as of December 31, 2017 and 2016.

(d) Marketable securities

Marketable securities comprise investments with quoted values on a public stock exchange and are carried at their fair values measured using market prices at the reporting date. These are classified as assets held for sale.

(e) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(f) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Depreciation is provided over the estimated useful lives of assets as follows:

Computer equipment	2 to 5 years
Office equipment	2 to 5 years
Motor vehicles	3 to 10 years

4. Significant Accounting Policies – Continued

(f) Equipment - Continued

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the period in which the item is derecognized.

(g) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(h) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably

4. Significant Accounting Policies – Continued

(h) Impairment of financial assets – Continued

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(i) Share-based payment transactions

The Group grants stock options to acquire common shares to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

4. Significant Accounting Policies – Continued

(j) Revenue

(i) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenues received in advance of these criteria are deferred until future periods.

(ii) Services

Revenue from services rendered is recognized in the consolidated statements of comprehensive loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Teacher training services provided through the internet portal are recognized when services are rendered and it is probable that the economic benefits will flow to the Group, the amount of revenue and the stage of completion can be measured reliably. Revenues received in advance of these criteria are deferred until future periods.

(k) Income tax

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

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

4. Significant Accounting Policies – Continued

(k) Income tax - Continued

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(l) Finance income and finance costs

Finance income comprises interest income on funds invested that are recognized in statement of operations. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognized in the statements of comprehensive loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(m) Earnings (loss) per share

Earnings per share calculations are based on the weighted average number of common shares outstanding during the period. For calculations of diluted earnings per share, the weighted average number of common shares outstanding are adjusted to include the effects of dilutive stock options, whereby proceeds from the potential exercise of dilutive stock options with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’s common shares at their average market price for the period.

5. New standards and interpretations adopted during the year

IAS 7 Statement of Cash Flows (“IAS 7”)

On January 1, 2017, the Company adopted the amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. Adoption of the amendments to IAS 7 did not have a material impact to the consolidated financial statements.

IAS 12 Income Taxes (“IAS 12”)

On January 1, 2017, the Company adopted amendments to IAS 12, which clarifies guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at fair value. The Company does not currently measure any of its debt instruments at fair value. Therefore, the implementation of this standard did not have any material impact to the Company’s financial statements.

6. New standards and interpretations not yet adopted during the year

The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective. Changes in accounting standards not yet effective:

IFRS 9 Financial instruments (“IFRS 9”)

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- De-recognition - The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

(Expressed in U.S. Dollars)

6. New standards and interpretations not yet adopted during the year - Continued

IFRS 9 Financial instruments ("IFRS 9") - Continued

The effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The management has carefully considered the potential effect of the implementation of IFRS 9 and the current expectation is that it is unlikely to have a material impact on the classification, measurement, impairment and de-recognition of the Company's financial assets and liabilities.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Management has carefully considered the potential effects in the context of the Company's revenues and have concluded that on adoption there will be no significant changes to how the Company identifies performance obligations to customers and how the revenue recognition criteria are satisfied and, therefore, no material impact on the revenues recognized in the consolidated financial statements.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing IAS17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption provided The Company has not yet assessed the impact of this standard or determined whether it will adopt the standard early.

7. Accounts and Other Receivable

		December 31, 2017		December 31, 2016
Trade receivables	$	5,877,287	$	3,797,622
Other receivables		154,032		63,968
		6,031,319		3,861,590

(Expressed in U.S. Dollars)

7. Accounts and Other Receivable – Continued

As at December 31, 2017, the Group's aging analysis of trade receivables is as follows:

Total	Neither past due nor impaired	Past due but not impaired			
		< 30 days	30 - 90 days	90 - 120 days	> 120 days
$ 5,877,287	$ 2,440,482	$ 2,631,622	$ 798,764	$ 6,419	$ -

8. Plant and Equipment

	Computer equipment	Office equipment	Motor vehicles	Total
Cost				
Balance, at January 1, 2016	$ 171,839	$ 19,279	$ 348,420	$ 539,538
Additions	10,331	1,809	43,328	55,468
Disposals		-	-	-
Effect of movements in exchange rates	(12,302)	(1,350)	(25,001)	- (38,653)
Balance, at December 31, 2016	$ 169,868	$ 19,738	$ 366,747	$ 556,353
Balance, at January 1, 2017	$ 169,868	$ 19,738	$ 366,747	$ 556,353
Additions	5,593	6,082	40,560	52,235
Disposals	(23,900)	-	(15,420)	(39,320)
Effect of movements in exchange rates	10,989	1,586	26,223	38,798
Balance, at December 31, 2017	$ 162,550	$ 27,406	$ 418,110	$ 608,066

(Expressed in U.S. Dollars)

8. Plant and Equipment – Continued

	Computer equipment	Office equipment	Motor vehicles	Total
Accumulated depreciation				
Balance, at January 1, 2016	$ 132,666	$ 17,118	$ 312,225	$ 462,009
Depreciation for the period	14,042	2,864	12,012	28,918
Disposals	-	-	-	-
Effect of movements in exchange rates	(10,603)	(1,058)	(20,815)	- (32,476)
Balance, at December 31, 2016	$ 136,105	$ 18,924	$ 303,422	$ 458,451
Balance, at January 1, 2017	$ 136,105	$ 18,924	$ 303,422	$ 458,451
Depreciation for the year	14,060	990	19,830	34,880
Disposals	(19,795)	-	(15,420)	(35,215)
Effect of movements in exchange rates	1,532	(609)	30,586	- 31,509
Balance, at December 31, 2017	$ 131,902	$ 19,305	$ 338,418	$ 489,625
Carrying amounts				
At December 31, 2016	$ 33,763	$ 814	$ 63,325	$ 97,902
At December 31, 2017	$ 30,648	$ 8,101	$ 79,692	$ 118,441

9. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the years ended December 31, 2017 and 2016.

Common shares and preferred shares

At December 31, 2017, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares. No preferred shares have been issued to date.

The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. The preferred shares rank equally on winding up. The directors shall by resolution determine the rights and restrictions attaching to the preferred shares prior to their issuance.

Accumulated other comprehensive income ("AOCI")

AOCI is the cumulative translation account, which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

10. Earnings (Loss) Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended December 31, 2017 was based on the net income attributable to shareholders of the Group in the amount of $1,357,757 (2016: $916,204), and a weighted average number of common shares outstanding of 47,364,983 (2016: 47,364,983).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended December 31, 2017 was based on the net income attributable to shareholders of the Group in the amount of $1,357,757 (2016: $916,204), and a weighted average number of common shares outstanding of 48,060,826 (2016: 47,364,983).

(Expressed in U.S. Dollars)

11. Share Purchase Options and Warrants

(a) Stock options

At December 31, 2017, the Group has the following share-based payment arrangements:

The Group has stock option plans that allow it to grant options to its employees, officers, directors and consultants to acquire up to 10% of issued and outstanding common stock. The exercise price of each option shall not be less than the weighted average closing price of the common shares on the TSX Venture Exchange on the last five trading days before the date of the grant. Options have a maximum term of five years and terminate thirty to ninety days following the termination of the optionee's employment. The right to exercise the options will vest in installments over the life of the option as determined at the time the option is granted.

The number and weighted average exercise prices of the share options are as follows:

	Number of Shares	Weighted Average Exercise Price Per Share (CND)
Balance, December 31, 2015 and 2016	3,700,000	0.18
Expired during the year	(1,000,000)	0.40
Granted during the year	1,000,000	0.14
Balance, December 31, 2017	3,700,000	0.11

On March 15, 2017, 1,000,000 stock options at an exercise price of CAN$0.40 were expired and unexercised.

On May 29, 2017, the Group granted incentive stock options of 1,000,000 shares at CND$0.14 per share expiring on May 29, 2022 which exceeds the market price at the grant date to directors and consultant. The stock options are vested immediately. The total fair value of the stock options granted was CND$114,913 ($86,115). The grant date fair value of share-based payment plans was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.95% per annum, expected volatility: 141.16%, dividend yield: $nil and forfeiture rate: 7%. Total share-based payment for the year ended December 31, 2017 was $90,136, including $1,525 related to the options granted in 2015 but not vested until 2017. The amount has been included in general and administrative expenses.

The options outstanding at December 31, 2017 have an exercise price in the range of CND$0.10 to CND$0.14 (December 31, 2016: in the range of CND$0.10 to CND$0.40) and a weighted average contractual life of 3.31 years (December 31, 2016: 3.16 years).

(Expressed in U.S. Dollars)

11. Share Purchase Options and Warrants – Continued

(a) Stock options - Continued

There are 3,540,000 options exercisable at December 31, 2017 (December 31, 2016: 3,460,000), which have an exercise price of in the range of CND$0.10 to CND$0.14 (December 31, 2016: in the range of CND$0.10 to CND$0.40) and a weighted average contractual life of 3.34 years (December 31, 2016: 3.09 years).

(b) Share purchase warrants

At December 31, 2017 and December 31, 2016, there was no outstanding warrant.

12. Trade and Other Payables

	December 31, 2017	December 31, 2016
Trade payables	$ 2,317,491	$ 3,938,986
Other payables	1,661,170	102,795
Non-trade payables and accrued expenses	533,607	515,974
	4,512,268	4,557,755

13. Taxes payable

	December 31, 2017	December 31, 2016
Other tax payable	$ 380,498	$ 316,925
Income tax payable	546,428	1,227,860
	926,926	1,544,785

14. Advance from a third party

On May 4, 2014, the Group's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com.cn to develop online training projects. During the year ended December 31, 2014, Teacher.com.cn advanced RMB1,360,000 to TTTC as the start-up funds to substantiate operations under TTTC. The amount was unsecured, due on demand, and bore nil interest rate.

The strategic cooperation agreement expired during the year ended December 31, 2017. Total advance from Teacher.com.cn in the amount of RMB1,360,000 (USD 217,047) was fully repaid as at December 31, 2017.

(Expressed in U.S. Dollars)

15. Loans Payable

Terms and conditions of outstanding loans as at December 31, 2017 and December 31, 2016 from unrelated individuals are summarized as follows:

	December 31, 2017					
		RMB		U.S. dollars equivalent	Annual interest rate	Due date
Unsecured loan (2)	¥	3,285,000	$	504,872	0%	June 24, 2018

	December 31, 2016					
		RMB		U.S. dollars equivalent	Annual interest rate	Due date
Unsecured loan (1)	¥	2,000,000	$	287,480	12%	Due on demand
Sub-total	¥	2,000,000	$	287,480		
Interest payable		471,371		67,755		
Total	¥	2,471,371	$	355,235		

(1) On May 4, 2014, the Group's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com.cn. Pursuant to the agreement, Teacher.com.cn agreed to lend a loan of RMB2,000,000 to TTTC to support the operation of new online training project. The loan was unsecured and due on demand with annual interest rate of 12%.

The loan principal of RMB2,000,000 was fully repaid in cash on December 28, 2017 and its accumulated interest payable of RMB864,164 has been settled with the online education program provided by TTTC to Teacher.com.cn.

(2) The loan will mature on June 24, 2018 and as at December 31, 2017, there was no interest accrued in relation to this loan.

(Expressed in U.S. Dollars)

16. Bank Loan

In August 2016, the Company, through its subsidiary TTTC, arranged a bank loan of RMB3,000,000 ($449,880). The bank loan bore an annual interest rate of 5.655% and would be repayable by 3 equal instalments, i.e. RMB1,000,000 ($149,960) each, on December 21, 2016, July 21, 2017 and August 16, 2017. Personal guarantee by one of the directors of TTTC was provided to the bank.

As of December 31, 2017, the bank loan was fully repaid with interest expense of RMB71,630 ($10,526) for the year ended December 31, 2017.

In December 2017, the Company, through its subsidiary TTTC, arranged a bank loan of RMB3,000,000 ($461,070). The bank loan bears an annual interest rate of 5.655% and will be repayable by 3 equal instalments, i.e. RMB1,000,000 ($153,690) each time, on June 21, 2018, November 21, 2018 and December 22, 2018. Personal guarantee by one of the directors of TTTC has been provided to the bank.

As of December 31, 2017, the outstanding loan amount was RMB3,000,000 ($461,070) and there was no interest paid during the year ended December 31, 2017.

17. General and Administrative Expenses

The breakdown of Group's general and administrative expenses for the years ended December 31, 2017 and 2016 was as follows:

	Year ended December 31,	
G&A	**2017**	**2016**
Accounting and audit	$ 192,945	$ 157,148
Administrative and office	30,946	64,600
Provision for bad debt	107,385	5,021
Consulting	140,457	145,842
Stock-based compensation	90,136	5,327
Legal and professional	3,055	13,756
Meals and entertainment	15,993	6,347
Registrar & transfer agent fees	3,043	4,018
Filing and listing	27,890	21,584
Rent	171,370	177,855
Travel	47,478	52,938
Salaries, wages, commission & benefits	731,777	869,208
Technology development	57,468	-
Investor relations	2,793	15,937
Miscellaneous	28,219	1,185
AP Written off	(3,240)	(44,799)
	$ 1,647,715	$ 1,495,967

(Expressed in U.S. Dollars)

18. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

19. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, due from related parties, trade and other payables, advance from a third party and due to related parties.

The Group's financial instruments are exposed to the risks described below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to cash and cash equivalents and accounts and other receivables. The Group has no significant concentration of credit risk arising from operations. Management assesses the credit risk concentration with respect to accounts and other receivables annually and adjusts them accordingly.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	December 31, 2017	**December 31, 2016**
Accounts and other receivables	$ 6,031,319	$ 3,861,590
Cash	2,864,633	3,844,356
	$ 8,895,952	$ 7,705,946

(Expressed in U.S. Dollars)

19. Financial Risk Management - Continued

(a) Credit risk - continued

The maximum exposure to credit risk for accounts receivable at the reporting date by geographic region was:

	Carrying amount	
	December 31, 2017	December 31, 2016
China	$ 5,877,287	$ 3,797,622

100% of the Group’s revenue for the year ended December 31, 2017 and 2016 was derived from customers located in China. Two (December 31, 2016: two) customers represent in excess of 10% of accounts receivable at December 31, 2017. Two (2016: two) customers represent in excess of 10% of total revenue for the year ended December 31, 2017. The Group’s most significant customers accounted for $2,453,687 of receivables carrying amount at December 31, 2017 (December 31, 2016: $363,977).

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At December 31, 2017, the Group had a net working capital of $331,624 (December 31, 2016: working capital deficiency $1,163,189). The Group 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.

(c) Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From time to time, the Group is exposed to short term interest rates through the interest earned on cash. The Group only has debt with fixed interest rates. The Group's current policy is to invest excess cash in short-term deposits with its banking institutions. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of its banks

19. Financial Risk Management - Continued

(ii) Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate when the Group undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Group currently does not use derivative instruments to hedge its exposure to those risks. As at December 31, 2017, the Group is subject to immaterial currency risk as it did not have material assets or liabilities held in currencies other than its functional currencies.

(d) Fair values

Financial instruments that are measured subsequent to initial recognition at fair value are group into hierarchy based on the degree to which the fair value is observable.

Level 1 - fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Level 2 - fair value measurements are derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability directly or indirectly.

Level 3 - fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at December 31, 2017, the Group recognizes cash and cash equivalents at fair value which is considered a level 1 fair value measurement.

The fair values of cash and cash equivalents, accounts and other receivables, trade and other payables, bank loan, advance from a third party, due to/from related parties, loans payable - related parties, and loans payable approximate their carrying value due to their short-term nature.

(e) Capital management

The Group manages its capital structure and makes adjustments to it, based on the funds available to the Group, in order to support the development and update of the educational internet portal. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

Although the Group has commercialized its teaching training portal in February 2007 and launched its education internet portal in late 2008, the Group is still dependent on external financing to fund its future business plan until it achieves a profitable level of operations. The Group will spend its existing working capital and raise additional amounts as needed. The Group will continue to develop additional features for its education internet portal and will also look into other opportunities to provide educational services provided through the internet if it has adequate financial resources to do so. Acquisition of ZYCY by share exchange is one of the strategies to improve the working capital position of the Group.

(Expressed in U.S. Dollars)

19. Financial Risk Management - Continued

(e) Capital management - continued

The Group's debt to capital ratio at the end of the reporting period was as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 8,651,578	8,972,972
Less: cash in the bank	(2,864,633)	(3,844,356)
Net debt	5,786,945	5,128,616
Total equity (deficiency)	450,065	(1,065,287)
Debt to capital ratio	12.86	(4.81)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

There were no changes in the Group's approach to capital management during the years ended December 31, 2017 and 2016. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

20. Operating Segments

Strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

Due to the size of the Group, the provision of education internal portal services and distribution of educational textbooks and materials were considered in one segment based on the organizational structure, strategies, decision making and the availability of financial information. The Group's CEO reviews internal management reports on at least a quarterly basis.

(Expressed in U.S. Dollars)

20. Operating Segments - Continued

Geographical segments

The Group's head office is located in Vancouver, British Columbia, Canada. The operations of the Group are primarily in two geographic areas: Canada and China. In presenting information on the basis of geographical information, segment revenue is based on the geographical location of the customers. Segment assets are based on the geographical location of the assets. All of the Group's revenue was generated in China. Majority of the capital assets were located in China.

A summary of geographical information for the Group's assets and revenue were as follows:

Year ended December 31, 2017	Canada	China	Total
Revenue from external customers	$ -	$ 11,825,955	$ 11,825,955
Plant and equipment	-	118,441	118,441

Year ended December 31, 2016	Canada	China	Total
Revenue from external customers	$ -	$ 13,420,347	$ 13,420,347
Plant and equipment	-	97,902	97,902

21. Related Parties Transactions

All related party transactions are recorded in the normal course of operations on normal commercial terms and conditions and at market rates, which is the amount of consideration established and agreed to by the related parties.

Key management personnel and director transactions

Directors of the Group control approximately 13.7% percent of the voting shares of the Group.

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.

(Expressed in U.S. Dollars)

21. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Year ended December 31,	
Director/Officer	**Transaction**	**2017**	**2016**
C F Zhou (director and CEO)	Consulting fees (i)	$ 140,457	$ 137,680
C F Zhou (director and CEO)	Interest expense (ii)	18,793	18,472
Danny Hon (director and CFO)	Accounting fees (iii)	65,112	62,281
Danny Hon (director and CFO)	Interest expense (iv)	8,092	7,953
		$ 232,454	$ 226,386

Director/Officer	**Outstanding balance**	**December 31, 2017**	**December 31, 2016**
C F Zhou (director and CEO)	Consulting fees payable (i)	$ 1,208,549	$ 1,001,581
C F Zhou (director and CEO)	Loan payable (ii)	129,693	121,174
C F Zhou (director and CEO)	Loan interest payable (ii)	97,294	72,726
Danny Hon (director and CFO)	Accounting fees payable (iii)	517,862	436,044
Danny Hon (director and CFO)	Loan payable (iv)	55,841	52,173
Danny Hon (director and CFO)	Loan interest payable (iv)	52,919	41,617
		$ 2,062,158	$ 1,725,315

(i) The consulting fees owing to C F Zhou as at December 31, 2017 is unsecured, due on demand with no interest.

(ii) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at December 31, 2017, there was an interest payable balance of $97,294 (December 31, 2016: $72,726) owed to C F Zhou.

(Expressed in U.S. Dollars)

21. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

(iii) The Company engaged a company, which is controlled by Danny Hon, to provide accounting services. The balance owing to this company controlled by Danny Hon as at December 31, 2017 is unsecured, due on demand and bears no interest.

(iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at December 31, 2017, there was an interest payable balance of $52,919 (December 31, 2016: $41,617) owed to Danny Hon.

22. Non-controlling interests

The following subsidiary has material non-controlling interests:

Name	Principal place of business/ Country of incorporation	Operating segment	Ownership interests held by NCI	
			2017	2016
Zhong Yu Cheng Yuan (ZYCY)	China	Textbook sales	40%	40%

The following is summarised financial information for ZYCY, prepared in accordance with IFRS. The information is before inter-company eliminations with other companies in the Group.

Amount in USD	**2017**	**2016**
Revenue	7,436,484	10,374,119
Net income	113,130	602,111
Net income attributable to NCI	45,252	240,844
Other comprehensive income (loss)	99,017	(112,551)
Total comprehensive income (loss)	212,147	489,560
Total comprehensive income attributable to NCI	84,859	195,824
Current assets	5,948,702	5,779,414
Non-current assets	42,265	53,679
Current liabilities	(3,476,453)	(3,880,783)
Non-current liabilities	-	-
Net assets	2,514,514	1,952,310
Cash flow from (used in) operating activities	(957,777)	1,292,091
Cash flow from investing activities	-	119,005
Cash flow from (used in) financing activities	-	(388,182)
Net increase in cash and cash equivalents	(957,777)	1,022,914
Dividends paid to NCI during the year	-	-

(Expressed in U.S. Dollars)

23. Income Tax

	2017	2016
	$	$
Net income (loss) before tax	870,203	1,448,818
Statutory tax rate	26%	26%
Expected tax recovery	226,253	376,693
Non-deductible items	37,909	39,101
Change in tax rates	34,974	28,292
Functional currency adjustments	(113,111)	(25,201)
Foreign tax rate difference	(121,316)	(124,053)
Change in deferred tax asset not recognized	187,757	(3,062)
Adjustments recognized in the current year for income taxes of prior periods	(787,401)	-
Others	2,129	-
Total tax (recovery) expense	(532,806)	291,770

	2017	2016
	$	$
Current tax (recovery) expense	(532,806)	291,770
Deferred tax (recovery) expense	-	-
	(532,806)	291,770

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) at December 31, 2017 and 2016 are comprised of the following:

	2017	2016
	$	$
Non-capital loss carry forwards	-	-
Marketable securities	-	-
Accrued expenses	-	14,793
Deferred revenue	-	(14,793)
Net deferred tax asset (liability)	-	-

(Expressed in U.S. Dollars)

23. Income Tax - Continued

The unrecognized deductible temporary differences are as follows:

	2017	2016
	$	$
Non-capital loss carry forwards - Canada	5,236,709	5,317,828
Net capital loss carry forwards - Canada	501,371	468,437
Property, plant and equipment - Canada	200,943	102,089
Non-capital loss carryforwards - China	50,846	68,663
Property, plant and equipment - China	372,322	344,785
Accrued expenses - China	-	144,678
Unrecognized deductible temporary differences	6,362,191	6,446,480

As at December 31, 2017, the Company has non-capital loss carryforwards of approximately $5,236,709 (2016: $5,317,828) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	2017
	$
2027	1,064,049
2028	354,135
2029	486,682
2030	455,047
2031	403,048
2032	429,399
2033	412,011
2034	411,076
2035	412,590
2036	376,617
2037	432,055
TOTAL	5,236,709

(Expressed in U.S. Dollars)

23. Income Tax - Continued

As at December 31, 2017, the Company has net capital loss carryforwards of approximately $501,371 (2016: $468,437) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

As at December 31, 2017, the Company has non-capital loss carryforwards of approximately $50,846 (2016: $68,663) which may be carried forward to apply against future income for Chinese income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	**2017**
	$
2018	30,960
2019	6,044
2020	4,594
2021	4,667
2022	4,581
TOTAL	50,846