

China Education Resources Inc.

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

Years Ended December 31, 2020 and 2019

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 Group. 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 Group'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 29, 2021

(signed)

“Chengfeng Zhou”
Chief Executive Officer

(signed)

“Danny Hon”
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of China Education Resources Inc.:

Opinion

We have audited the consolidated financial statements of China Education Resources Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has accumulated a deficit from inception to December 31, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jian-Kun Xu.

Vancouver, British Columbia

April 29, 2021

MNP LLP

Chartered Professional Accountants

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Financial Position

December 31, 2020 and 2019

(Expressed in U.S. Dollars)

AS AT	Note	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 2,406,396	\$ 1,840,458
Restricted cash	21	892,053	835,904
Accounts and other receivables (net of allowance for expected credit loss of \$1,133,968, December 31, 2019: \$774,564)	6	3,052,374	3,774,147
Prepaid expenses and deposits		755,949	521,181
Total current assets		7,106,772	6,971,690
Non-current assets			
Right - of - use asset	7	74,582	106,458
Equipment	7	36,671	56,775
Total non-current assets		111,253	163,233
Total assets		\$ 7,218,025	\$ 7,134,923
Liabilities			
Current liabilities			
Trade and other payables	10	\$ 3,031,360	\$ 3,618,964
Deferred revenue		10,576	9,583
Taxes payable	11	67,546	522,275
Lease obligations - current portion	12	42,697	27,664
Loans payable	13	721,007	482,462
Bank loan	14	-	215,385
Loans payable - related parties	19	413,156	378,056
Due to related parties	19	2,306,221	2,051,431
Total current liabilities		6,592,563	7,305,820
Non-current liabilities			
Lease obligation	12	31,061	72,364
Deferred tax liability	21	309,797	-
Total non-current liabilities		340,858	72,364
Total liabilities		6,933,421	7,378,184
Shareholders' Equity (Deficiency)			
Share capital	8	29,455,512	29,455,512
Contributed surplus		2,732,948	2,716,153
Accumulated other comprehensive income		872,772	788,854
Deficit		(33,774,706)	(34,017,940)
Total shareholders' deficiency attributable to shareholders of the Company		(713,474)	(1,057,421)
Non-controlling interest	20	998,078	814,160
Total Equity (Deficiency)		284,604	(243,261)
Total liabilities and shareholders' equity		\$ 7,218,025	\$ 7,134,923

Going Concern - Note 2

Contingent Liabilities - Note 22

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 (Loss) and Comprehensive Income (Loss)

For the years ended December 31, 2020 and 2019

(Expressed in U.S. Dollars)

	Note	2020	2019
Revenue			
Book sales and distribution services	\$	4,943,624	\$ 6,255,626
Online products		2,481,711	3,134,776
		7,425,335	9,390,402
Cost of sales			
Book sales and distribution services		(2,731,986)	(3,877,753)
Online products		(1,021,012)	(974,397)
Gross profit		3,672,337	4,538,252
Depreciation	7	(64,947)	(33,470)
General and administrative	15	(1,492,051)	(2,140,034)
Selling commission, marketing and copyrights	16	(1,671,634)	(2,752,199)
Operating profit		443,705	(387,451)
Finance income		25,899	38,898
Finance costs		(51,064)	(68,035)
Other expense		(28)	(3,555)
Other income		35,994	1,160
Net finance cost		10,801	(31,532)
Net income (loss) before income taxes		454,506	(418,983)
Current tax recovery	21	198,347	65,744
Deferred tax expense	21	(293,404)	-
Net income (loss) for the year	\$	359,449	\$ (353,239)
Other comprehensive income (loss) for the year, net of income taxes			
Unrealized exchange gain on translation of foreign operations		151,621	(151,973)
Other comprehensive income (loss) for the year, net of income tax		151,621	(151,973)
Comprehensive income (loss) for the year	\$	511,070	\$ (505,212)
Net income (loss) attributable to:			
Shareholders of the Company	\$	243,234	\$ (474,058)
Non-controlling interest	20	116,215	120,819
Net income (loss) for the year	\$	359,449	\$ (353,239)
Comprehensive income (loss) attributable to:			
Shareholders of the Company	\$	327,152	\$ (614,658)
Non-controlling interest	20	183,918	109,446
Comprehensive income (loss) for the year	\$	511,070	\$ (505,212)
Earnings (loss) per share			
Basic and diluted earnings per share	\$	0.01	\$ (0.01)
Weighted average number of common shares used to calculate			
basic and diluted earnings per share		47,364,983	47,364,983

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

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in U.S. Dollars)	Attributable to equity holders of the Company						Non- Controlling Interest	Total Equity (Deficiency)
	Number of Shares	Share Capital	Contributed Surplus	Accumulative Other Comprehensive Income Account	Deficit	Total		
Balance December 31, 2018	47,364,983	29,455,512	2,715,799	929,454	(33,543,882)	(443,117)	704,714	261,597
Net loss for the year ended December 31, 2019	-	-	-	-	(474,058)	(474,058)	120,819	(353,239)
Foreign currency translation differences	-	-	-	(140,600)	-	(140,600)	(11,373)	(151,973)
Stock-based compensation (Note 9)	-	-	354	-	-	354	-	354
Balance December 31, 2019	47,364,983	29,455,512	2,716,153	788,854	(34,017,940)	(1,057,421)	814,160	(243,261)
Net income for the year ended December 31, 2020	-	-	-	-	243,234	243,234	116,215	359,449
Foreign currency translation differences	-	-	-	83,918	-	83,918	67,703	151,621
Stock-based compensation (Note 9)	-	-	16,795	-	-	16,795	-	16,795
Balance December 31, 2020	47,364,983	29,455,512	2,732,948	872,772	(33,774,706)	(713,474)	998,078	284,604

(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, 2020 and 2019

(Expressed in U.S. Dollars)

	2020	2019
Cash flows from operating activities		
Loss for the year	\$ 359,449	\$ (353,239)
Adjustments for:		
Depreciation	64,947	33,470
Interest accrued	31,865	26,858
Loss on disposition of equipment	-	62
Provision of accounts receivable	190,375	774,564
Current tax recovery	(198,347)	(126,563)
Deferred tax expense	293,404	-
Share-based payment	16,795	354
Change in restricted cash	(56,149)	(835,904)
Changes in accounts and other receivable	729,353	(449,832)
Changes in prepaid expenses and deposits	(190,312)	(353,238)
Changes in trade and other payables	(746,735)	(284,193)
Changes in taxes payable	(265,012)	(34,190)
Changes in deferred revenue	344	(24,936)
Net cash (used in) provided by operating activities	229,977	(1,626,787)
Cash flows from investing activities		
Acquisition of equipment	(5,500)	(1,240)
Net cash used in investing activities	(5,500)	(1,240)
Cash flows from financing activities		
(Repayment of) proceeds from bank loan	(217,470)	217,230
(Repayment of) proceeds from third parties loan	194,397	(289,640)
Advance from related parties	202,678	202,916
Lease payments	(35,581)	(10,098)
Net cash provided by financing activities	144,024	120,408
Net increase (decrease) in cash	368,501	(1,507,619)
Cash, beginning of the year	1,840,458	3,382,267
Effect of exchange rate fluctuations on cash held	197,437	(34,190)
Cash, end of the year	\$ 2,406,396	\$ 1,840,458
Supplementary disclosure of cash flow information:		
Interest paid	\$ (30,527)	\$ (48,108)
Taxes paid	\$ (78,144)	\$ (88,279)

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

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

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., Canada, V6B 6H5. The consolidated financial statements of the Company as at and for the year ended December 31, 2020 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, 2020, the Group had an accumulated deficit of \$33,774,706 since inception. The Group’s ability to continue as a going concern is dependent upon, among other things, the continuing growth of the Group’s revenue to sustain profitability and attain positive cash flow from operations by the Group or its ability to obtain necessary financing. The outcome of these matters cannot be predicted at this time.

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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. During the year ended December 31, 2020, the Company’s book sales and distributions services revenue decreased due to COVID-19 which has led to delayed deliveries of certain textbooks. However, this portion of revenue will be recognized in fiscal 2021. Management has not identified any material negative impact of COVID-19 to the Company’s operating expenditures. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

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, 2020.

These consolidated financial statements were authorized to issue by the audit committee and Board of Directors of the Group on April 29, 2021.

(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 (“CAD”) 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 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.

These 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:

Name of subsidiary	Country of incorporation	Ownership interest	
		December 31, 2020	December 31, 2019
CEN China Education Network Ltd. ("CEN Network") (inactive)	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") (inactive)	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%

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

3. Basis of Preparation - Continued

(b) Basis of preparation - Continued

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

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events 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 based on historical experience and other factors that are considered to be relevant. 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 estimates and judgements

(i) Expected credit loss

Trade and other receivables are assessed for impairment at each reporting date by applying the “expected credit loss” impairment model under IFRS 9 - *Financial Instruments*. Expected credit loss represents management’s best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also taking into consideration of forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. As at December 31, 2020, allowance for expected credit loss is \$1,133,968 (December 31, 2019 - \$774,564) based on management’s assessment of credit history with the customers and current relationships with them.

(ii) 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, 2020 and 2019. 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.

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

3. Basis of Preparation - Continued

(c) Use of estimates and judgments- Continued

(iii) Income taxes

Tax regulations are very complex and changing regularly. As a result, the Group 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 and that changes to these amounts could have a material effect on the Company's consolidated financial statements.

(iv) 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.

(v) Contingent liabilities

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. Where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time and a disclosure of contingent liability is made unless the possibility of settlement is remote. Management has applied significant judgements in assessing the possibility of any outflow in settlement based on factors and situations known to management at the time of preparing these consolidated financial statements. Actual results may differ. Please refer to Note 22 for details.

(vi) Stock based compensation

The Group uses the Black-Scholes option pricing model to calculate the fair value of share purchase options at the date of grant. 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. Changes in these assumptions can materially affect the fair value estimate.

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group 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 each entity at the rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. 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. All differences are taken to the consolidated statement of income (loss) and comprehensive income (loss).

(ii) Foreign operations

The assets and liabilities of foreign operations 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 (loss) in the accumulated other comprehensive income.

(b) Financial instruments – Recognition and Measurements

Financial assets and liabilities, including derivatives, are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the financial instrument or derivative contract. Financial instruments are required to be initially measured at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

(i) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

China Education Resources Inc.
Notes to Consolidated Financial Statements
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Years Ended December 31, 2020 and 2019

4. Significant Accounting Policies - Continued

(b) Financial instruments – Recognition and Measurements - Continued

(i) Fair value estimation - Continued

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. These levels are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(ii) Financial assets

Based on their nature, the Group classifies its non-derivative financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets is based on the contractual cash flow characteristics and the Group’s business model for managing the financial asset. Financial assets are recognized when the Group becomes party to the contractual provisions of the instrument. On initial recognition, the Group may irrevocably designate a financial asset that meets the amortized cost or fair value through other comprehensive income criteria as measured at FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. This designation will be recorded until the financial asset is derecognized.

Financial assets are derecognized when the contractual cash flows from the asset expire or when the Group transfers the right to receive the contractual cash flows of the asset in a transaction whereby all risks and rewards of the financial asset are transferred. Any retained interest in the financial asset transferred is recognized as a separate financial asset or liability.

Financial assets at amortized cost

Financial assets with fixed or determinable payments that are not both derivatives and quoted in an active market are classified as financial assets at amortized cost. The objective is to hold such assets to collect contractual cash flows and contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. These financial assets are initially recognized at fair value plus any transaction costs directly attributable to the asset. These assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses.

China Education Resources Inc.
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
Years Ended December 31, 2020 and 2019

4. Significant Accounting Policies - Continued

(b) Financial instruments – Recognition and Measurements - Continued

(ii) Financial assets - Continued

Financial assets at FVTOCI

Financial assets at FVTOCI represent those non-derivative financial assets that are held to achieve an objective by both collecting contractual cash flows and selling the financial assets, where contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest. Financial assets at FVTOCI are initially measured at fair value plus any transaction costs directly attributable to the asset. Subsequent fair value gains or losses are recognized in other comprehensive earnings, except for impairment. For interest-bearing financial assets, interest calculated using the effective interest method and any foreign exchange gains and losses on monetary financial assets are recognized in profit or loss.

Financial assets at FVTPL

A financial asset is measured at FVTPL if it does not meet the criteria for assets measured at amortized cost or fair value through other comprehensive income. A financial asset is measured at FVTPL if it is a derivative that is not designated as effective as a hedging instrument. Financial assets at FVTPL are measured at fair value with changes recognized in profit or loss. Transaction costs associated with assets classified as FVTPL are recognized as incurred through profit or loss.

Cash and cash equivalent, restricted cash and accounts and other receivables (excluding GST and value added tax (“VAT”) receivables) are classified as financial assets at amortized cost. No financial assets are designated as FVTPL or FVTOCI as at December 31, 2020 and 2019.

(iii) Financial liabilities

The Group has the following non-derivative financial liabilities that are classified as financial liabilities at amortized cost using the effective interest method: trade and other payables (excluding GST and VAT payables), due to related parties, lease obligations, loans payable (including related parties loan) and bank loan. The Group initially recognizes financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

After initial recognition, the Company’s interest-bearing debt is subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any fees or costs related to the interest-bearing debt. Interest expense and the amortization of deferred financing charges are included in finance costs.

Current non-interest-bearing financial liabilities, such as trade and other payables, are carried at the amount owing.

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4. Significant Accounting Policies - Continued

(b) Financial instruments – Recognition and Measurements - Continued

(iii) Financial liabilities - Continued

A financial liability is derecognized when the obligation under the liability is settled, discharged, cancelled or expired. Any gains or losses are recognized in net income when liabilities are derecognized.

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 Group has no cash equivalent as of December 31, 2020 and 2019.

(d) 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.

(e) 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

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4. Significant Accounting Policies - Continued

(e) 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.

(f) 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, 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.

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4. Significant Accounting Policies - Continued

(g) 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. An expected credit loss impairment model is applied where expected credit losses are the present value of all cash shortfalls over the expected life of the receivable. When applying the credit loss assessment, the Group considers a broader range of information when assessing credit risk and measuring expected credit loss, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the receivable.

(h) 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.

(i) Revenue recognition

Revenue is recognized by applying the five-step model under IFRS 15. The Group recognizes revenue when the control over goods or services are transferred to the customer and performance obligations are satisfied.

(i) Sale of textbooks

Revenue from the sale of goods is recognized at a point in time, generally upon delivery of the textbooks. 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. Consideration received in advance of these criteria are deferred until future periods.

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4. Significant Accounting Policies - Continued

(i) Revenue recognition - Continued

(ii) Training services

Training services include teacher training services provided through the internet portal and face-to-face training programs. Revenue from training services rendered is recognized in the consolidated statements of income (loss) and comprehensive income (loss) over time, using the output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Consideration received in advance of these criteria are deferred until future periods.

(j) Lease liability and right of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

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4. Significant Accounting Policies - Continued

(j) Lease liability and right of use assets - Continued

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

(k) Income tax

The Group follows the asset and liability method of accounting for income taxes. 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.

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. 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.

The Company has not identified any uncertain tax positions as of December 31, 2020.

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4. Significant Accounting Policies - Continued

(l) Finance income and finance costs

Finance income comprises interest income on funds invested that are recognized in statement of income (loss) and comprehensive income (loss). 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, interest accretion on lease liabilities 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 loss and 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 Group's common shares at their average market price for the period.

5. New Standards and Interpretations Adopted During the Year

IAS 1 - Presentation of Financial Statements ("IAS 1") (Amendment)

On January 1, 2020, the Group adopted IAS 1 (Amendment). IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The adoption of IAS 1 had no significant impact on the Company's consolidated financial statements.

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5. New Standards and Interpretations Adopted During the Year - Continued

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

On January 1, 2020, the Company adopted IAS 8. IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. As of January 1, 2020, the Company adopted IAS 8. The adoption of IAS 8 had no significant impact on the Company’s consolidated financial statements.

Future Accounting Changes

The Group continuously monitors the potential changes proposed by the International Accounting Standards Board (“IASB”) and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. There have been no significant changes to future accounting policies, except for those noted below, that could impact the Group from what was disclosed in the December 31, 2020 consolidated annual financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment)

In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of the standard to have material impact on the Company’s consolidated financial statements.

6. Accounts and Other Receivables

	December 31, 2020	December 31, 2019
Trade receivables	\$ 2,970,573	\$ 3,679,136
Other receivables	81,801	95,011
	<u>\$ 3,052,374</u>	<u>\$ 3,774,147</u>

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6. Accounts and Other Receivables - Continued

As at December 31, 2020, the Group's aging analysis of trade receivables is as follows:

	<30 days	30 - 90 days	91 - 120 days	> 120 days	Total
Expected credit loss rate	2%	0%	5%	50%	
Estimated total gross carrying amount at default	1,778,473	-	131,690	2,194,378	4,104,541
Expected credit loss	(36,990)	-	(6,584)	(1,090,394)	(1,133,968)

See also Note 17(a).

7. Equipment and Right of Use Asset

(i) Equipment

Cost	Computer equipment	Office equipment	Motor vehicles	Total
Balance, at January 1, 2019	\$ 163,024	\$ 28,281	\$ 395,449	\$ 586,754
Additions	333	907	-	1,240
Disposals	(1,245)	-	-	(1,245)
Effect of movements in exchange rates	(1,978)	(353)	(4,815)	(7,146)
Balance, at December 31, 2019	<u>\$ 160,134</u>	<u>\$ 28,835</u>	<u>\$ 390,634</u>	<u>\$ 579,603</u>
Balance, at January 1, 2020	\$ 160,134	\$ 28,835	\$ 390,634	\$ 579,603
Additions	5,500	-	-	5,500
Disposals	-	-	-	-
Effect of movements in exchange rates	10,891	1,906	25,817	38,614
Balance, at December 31, 2020	<u>\$ 176,525</u>	<u>\$ 30,741</u>	<u>\$ 416,451</u>	<u>\$ 623,717</u>

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7. Equipment and Right of Use Asset - Continued

(i) Equipment - Continued

Accumulated depreciation	Computer equipment	Office equipment	Motor vehicles	Total
Balance, at January 1, 2019	\$ 143,109	\$ 21,127	\$ 335,695	\$ 499,931
Depreciation for the year	6,419	2,198	21,786	30,403
Disposals	(1,183)	-	-	(1,183)
Effect of movements in exchange rates	(7,561)	(1,391)	2,629	(6,323)
Balance, at December 31, 2019	<u>\$ 140,784</u>	<u>\$ 21,934</u>	<u>\$ 360,110</u>	<u>\$ 522,828</u>
Balance, at January 1, 2020	\$ 140,784	\$ 21,934	\$ 360,110	\$ 522,828
Depreciation for the year	4,440	2,158	21,496	28,094
Disposals	-	-	-	-
Effect of movements in exchange rates	9,570	1,546	25,008	36,124
Balance, at December 31, 2020	<u>\$ 154,794</u>	<u>\$ 25,638</u>	<u>\$ 406,614</u>	<u>\$ 587,046</u>
Carrying amounts				
At December 31, 2019	<u>\$ 19,350</u>	<u>\$ 6,901</u>	<u>\$ 30,524</u>	<u>\$ 56,775</u>
At December 31, 2020	<u>\$ 21,731</u>	<u>\$ 5,103</u>	<u>\$ 9,837</u>	<u>\$ 36,671</u>

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7. Equipment and Right of Use Asset - Continued

(ii) Right of Use Asset

Cost

Balance, at January 1, 2019	\$	-
Additions		109,499
Effect of movements in exchange rates		-
Balance, at December 31, 2019	<u>\$</u>	<u>109,499</u>

Balance, at January 1, 2020	\$	109,499
Additions		-
Effect of movements in exchange rates		7,237
Balance, at December 31, 2020	<u>\$</u>	<u>116,736</u>

Accumulated depreciation

Balance, at January 1, 2019	\$	-
Depreciation for the period		3,067
Effect of movements in exchange rates		(26)
Balance, at December 31, 2019	<u>\$</u>	<u>3,041</u>

Balance, at January 1, 2020	\$	3,041
Depreciation for the period		36,853
Effect of movements in exchange rates		2,260
Balance, at December 31, 2020	<u>\$</u>	<u>42,154</u>

Carrying amount

As at December 31, 2019	<u>\$</u>	<u>106,458</u>
As at December 31, 2020	<u>\$</u>	<u>74,582</u>

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8. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the years ended December 31, 2020 and 2019.

Common shares and preferred shares

At December 31, 2020, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares.

The holders of common shares were 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.

47,364,983 common shares are issued and outstanding as at December 31, 2020 and December 31, 2019. No preferred shares have been issued to date.

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.

9. Share Purchase Options and Warrants

(a) Stock options

At December 31, 2020, 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 ten 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.

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9. Share Purchase Options and Warrants - Continued

(a) Stock options - Continued

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

Balance, December 31, 2018 and 2019	3,700,000	0.11
Expired during the year	(2,700,000)	0.10
Granted during the year	1,030,000	0.10
Balance, December 31, 2020	2,030,000	0.12

On August 17, 2020, the Group granted incentive stock options of 1,030,000 shares at CAD\$0.10 per share expiring on August 17, 2025 which exceeds the market price at the grant date to directors and employee for their past services. The stock options are vested immediately. The total fair value of the stock options granted was CAD\$22,530 (\$16,795). 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: 0.39% per annum, expected volatility: 126.14%, dividend yield: \$nil and forfeiture rate: 0%.

Total share-based payment for the year ended December 31, 2020 was \$16,795 (2019: \$354). The amount has been included in general and administrative expenses.

On November 25, 2020, 2,700,000 stock options at an exercise price of CAD\$0.10 each expired and unexercised.

The options outstanding at December 31, 2020 have an exercise price in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2019: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 3.04 years (December 31, 2019: 1.31 years).

There are 2,030,000 options exercisable at December 31, 2020 (December 31, 2019: 3,700,000), which have an exercise price of in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2019: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 3.04 years (December 31, 2019: 1.31 years).

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9. Share Purchase Options and Warrants - Continued

(b) Share purchase warrants

At December 31, 2020 and December 31, 2019, there was no outstanding warrant.

10. Trade and Other Payables

	December 31, 2020	December 31, 2019
Trade payables	\$ 1,737,208	\$ 2,057,180
Other payables	762,609	1,032,304
Non-trade payables and accrued expenses	531,543	529,480
	<u>\$ 3,031,360</u>	<u>\$ 3,618,964</u>

11. Taxes Payable

	December 31, 2020	December 31, 2019
Income tax payable	\$ -	\$ 204,510
Other tax payable	67,546	317,765
	<u>\$ 67,546</u>	<u>\$ 522,275</u>

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12. Lease Obligations

TTTC has a lease for office premises in China in the amount of \$3,420 in advance per month, until December 4, 2022. The Group recognized a right-of use asset (Note 7) and corresponding lease obligations calculated using incremental borrowing rate of 6.525%, analyzed as follows:

USD

Balance, December 31, 2018	\$	-
Initial right-of-use asset obligations		109,499
Interest		541
Payments		<u>(10,012)</u>
Balance, December 31, 2019		100,028
Current portion		<u>27,664</u>
Long-term portion	\$	<u>72,364</u>

USD

Balance, December 31, 2019	\$	100,028
Effects of movements in exchange rates		3,223
Interest		6,088
Payments		<u>(35,581)</u>
Balance, December 31, 2020		73,758
Current portion		<u>42,697</u>
Long-term portion	\$	<u>31,061</u>

During the year ended December 31, 2020, the Group made lease payment of \$35,581 (2019: \$10,012) and incurred interest accretion of \$6,088 (2019: \$541) recorded in finance cost in the statement of income (loss) and comprehensive income (loss).

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13. Loans Payable

Terms and conditions of outstanding loans as at December 31, 2020 and December 31, 2019 from unrelated individuals are summarized as follows:

December 31, 2020							
	Principal				Interest payable		
	RMB	U.S. dollars equivalent	Annual interest rate		Due date	RMB	U.S. dollars equivalent
	¥	\$	%			¥	\$
Unsecured loan (1)	3,360,000	514,349	0%	On demand	-	-	
Unsecured loan (2)	500,000	76,540	10%	On demand	-	-	
Unsecured loan (3)	200,000	30,616	10%	On demand	-	-	
Unsecured loan (4)	500,000	76,540	10%	On demand	-	-	
Unsecured loan (5)	150,000	22,962	10%	On demand	-	-	
	4,710,000	721,007			-	-	
Loan payable	\$ 721,007						
Interest payable	-						
Total	\$ 721,007						
December 31, 2019							
	Principal				Interest payable		
	RMB	U.S. dollars equivalent	Annual interest rate		Due date	RMB	U.S. dollars equivalent
	¥	\$	%			¥	\$
Unsecured loan (1)	3,360,000	482,462	0%	On demand	-	-	
	3,360,000	482,462			-	-	
Loan payable	\$ 482,462						
Interest payable	-						
Total	\$ 482,462						

(1) The loan matured on June 24, 2018 and became due on demand. As at December 31, 2020, there was no interest accrued in relation to this loan. The borrowing costs of RMB 75,000 (\$11,341) has been fully amortized during the year ended December 31, 2018.

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13. Loans Payable – Continued

- (2) In June 2020, the Group borrowed a loan of RMB 500,000 (\$76,540) from a director of ZYCY. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the year ended December 31, 2020, there was interest paid of RMB29,178 (\$4,230) in relation to this loan.
- (3) In August 2020, the Group borrowed a loan of RMB 200,000 (\$30,616) from a director of ZYCY. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the year ended December 31, 2020, there was interest paid of RMB7,397 (\$1,072) in relation to this loan.
- (4) In June 2020, the Group borrowed a loan of RMB 500,000 (\$76,540) from a director of TTTC. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the year ended December 31, 2020, there was interest paid of RMB26,438 (\$3,833) in relation to this loan.
- (5) In November 2020, the Group borrowed a loan of RMB 150,000 (\$22,962) from an arm-length party. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the year ended December 31, 2020, there was interest paid of RMB1,808 (\$262) in relation to this loan.

14. Bank Loan

In June 2019, the Company, through its subsidiary TTTC, arranged a bank loan of RMB1,500,000 (\$218,460). The bank loan bears an annual interest rate of 6.525% and is repayable by two equal instalments, i.e. RMB750,000 (\$109,230) each time, on April 21, 2020 and June 24, 2020. Personal guarantee by one of the directors of TTTC has been provided to the bank.

As of December 31, 2019, the outstanding loan amount was RMB 1,500,000 (\$215,385) and as at December 31, 2020, the bank loan was fully repaid together with interest expense of RMB46,926 (\$6,797) (2019: RMB 49,481 or \$7,166) for the year ended December 31, 2020

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15. General and Administrative Expenses

The breakdown of Group's general and administrative expenses for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Accounting and audit (Note 19)	\$ 160,067	\$ 161,394
Administrative and office	18,203	23,147
Auto and transportation	15,293	-
Bad debts	190,375	774,564
Consulting (Note 19)	145,688	137,462
Filing and listing	19,938	18,579
Insurance	163	-
Investor relations	8,633	4,756
Legal and professional	21,413	11,876
Meals and entertainment	19,476	19,170
Miscellaneous	4,526	-
Promotion	6,714	-
Registrar & transfer agent fees	1,958	1,910
Rent	83,197	198,197
Salaries, wages, commission & benefits	640,088	643,785
Service fees	97,680	-
Stock based compensation (Note 9)	16,795	354
Technology development	30,698	49,600
Travel	11,146	95,240
	<u>\$ 1,492,051</u>	<u>\$ 2,140,034</u>

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16. Selling Commission, Marketing and Copyrights

The breakdown of Group's selling commission, marketing and copyrights for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Adverrising	\$ 134,740	\$ -
Commission expense	74,802	80,006
Copyright	432,880	668,366
Development expense	6,864	17,191
Education and research allowance	12,584	210,147
Meals and entertainment	11,662	43,840
Office expenses	4,434	18,591
Payroll	91,944	113,502
Printing cost	-	9,658
Production fee	-	58,719
Promotion fee	362,901	726,632
Service fee	184,905	10,640
Soccer project	20,989	78,477
Shipping	2,555	2,252
Training	282,298	510,957
Tranportation and repairment	22,865	104,088
Travel	25,211	99,133
	<u>\$ 1,671,634</u>	<u>\$ 2,752,199</u>

17. 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, restricted cash, account and other receivables (excluding GST and VAT receivables), trade and other payables, loans payable, bank loan, loan payable – related parties, due to related parties and lease obligations.

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

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17. Financial Risk Management – Continued

(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, restricted cash and accounts and other receivables (excluding GST and VAT 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 Group limits its exposure to credit risk by holding its cash in deposits with high credit quality Chinese and Canadian financial institutions.

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

	<u>Carrying amount</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Accounts and other receivables (excluding GST and VAT receivables)	\$ 3,050,357	\$ 3,772,018
Cash and cash equivalent	2,406,396	1,840,458
Restricted cash	892,053	835,904
	<u>\$ 6,348,806</u>	<u>\$ 6,448,380</u>

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

	<u>Carrying amount</u>	
	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
China	<u>\$ 2,970,573</u>	<u>\$ 3,679,136</u>

100% of the Group's revenue for the years ended December 31, 2020 and 2019 was derived from customers located in China. Three (December 31, 2019: two) customers represent in excess of 10% of accounts receivable at December 31, 2020. Two (2019: two) customers represent in excess of 10% of total revenue for the year ended December 31, 2020. The Group's most significant customers accounted for \$832,047 of receivables carrying amount at December 31, 2020 (December 31, 2019: \$1,695,676).

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17. Financial Risk Management – Continued

(a) Credit risk - Continued

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As of December 31, 2020, the Group made provision of accounts receivable of \$1,133,968 (December 31, 2019: \$774,564).

(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, 2020, the Group had a net working capital of \$514,209 (December 31, 2019: net working capital deficit of \$334,130). 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.

(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, 2020, 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.

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17. Financial Risk Management – Continued

(d) Fair values

The fair values of the financial assets and liabilities, except for the lease obligation, approximate their carrying value due to their short-term nature. The Group has not offset financial assets with financial liabilities.

(e) Capital management

The Group defines its capital as shareholder's equity. 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.

There were no changes in the Group's approach to capital management during the years ended December 31, 2020 and 2019. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

18. 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.

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, and majority of the equipment was located in China.

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19. 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 as at December 30, 2020 and December 31, 2019.

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.

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:

Director/Officer	Transaction	Year ended December 31,	
		2020	2019
C F Zhou (director and CEO)	Consulting fees (i)	\$ 135,972	\$ 137,462
C F Zhou (director and CEO)	Interest expense (ii)	18,243	18,392
Danny Hon (director and CFO)	Accounting fees (iii)	68,867	67,168
Danny Hon (director and CFO)	Interest expense (iv)	7,854	7,920
		<u>\$ 230,936</u>	<u>\$ 230,942</u>

Director/Officer	Balance	December 31,	December 31,
		2020	2019
C F Zhou (director and CEO)	Consulting fees payable (i)	\$ 1,611,204	\$ 1,437,960
C F Zhou (director and CEO)	Loan payable (ii)	127,789	125,269
C F Zhou (director and CEO)	Loan interest payable (ii)	153,422	131,556
Danny Hon (director and CFO)	Accounting fees payable (iii)	695,017	613,471
Danny Hon (director and CFO)	Loan payable (iv)	55,021	53,936
Danny Hon (director and CFO)	Loan interest payable (iv)	76,924	67,295
		<u>\$ 2,719,377</u>	<u>\$ 2,429,488</u>

(i) The consulting fees owing to C F Zhou as at December 31, 2020 is unsecured, due on demand with no interest.

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19. Related Parties Transactions – Continued

Key management personnel and director transactions – Continued

- (ii) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at December 31, 2020, there was an interest payable balance of \$153,422 (December 31, 2019: \$131,556) owed to C F Zhou.
- (iii) The Group 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, 2020 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, 2020, there was an interest payable balance of \$76,924 (December 31, 2019: \$67,295) owed to Danny Hon.

20. Non-controlling Interests

The following subsidiary has material non-controlling interests (“NCI”):

Name	Principal place of business/Country of incorporation	Operating segment	Ownership interests held by NCI	
			December 31, 2020	December 31, 2019
Zhong Yu Cheng Yuan ("ZYCY")	China	Textbook sales	40%	40%

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

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20. Non-controlling Interests – Continued

Amount in USD	Year ended December 31,	
	2020	2019
Revenue	\$ 4,943,624	\$ 6,786,878
Net income	290,538	302,046
Net income attributable to NCI	116,215	120,819
Other comprehensive income (loss)	169,253	(28,433)
Total comprehensive income	459,791	273,613
Total comprehensive income attributable to NCI	\$ 183,916	\$ 109,446

Amount in USD	December 31, 2020	December 31, 2019
Current assets	\$ 4,498,076	\$ 4,800,061
Non-current assets	2,207	6,297
Current liabilities	(1,388,655)	(2,290,184)
Non-current liabilities	(135,663)	-
Net assets	\$ 2,975,965	\$ 2,516,174

Amount in USD	Year ended December 31,	
	2020	2019
Cash flow provided by (used in) operating activities	\$ 655,843	\$ (776,577)
Cash flow used in investing activities	-	-
Cash flow provided by financing activities	-	(344,718)
Effect on foreign translation	72,284	(22,622)
Net increase (decrease) in cash and cash equivalent	\$ 728,127	\$ (1,143,917)
Dividend paid to NCI during the year	\$ -	\$ -

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21. Income Tax

The Company is subject to income taxes in Canada, while the subsidiaries in China are subject to the income tax laws of China. Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes.

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2020 and 2019:

	2020	2019
Net loss before tax	\$454,506	\$(418,983)
Statutory tax rate	27%	27%
Expected tax recovery	122,717	(113,125)
Non-deductible items	(41,270)	77,342
Change in tax rates	-	-
Functional currency adjustments	(393)	480
Foreign tax rate difference	(3,980)	5,839
Changes in deferred tax asset not recognized	242,188	200,536
Adjustments recognized in the current year for income taxes of prior periods	(224,205)	(236,816)
Total income tax recovery	\$ 95,057	\$ (65,744)

	2020	2019
Current tax recovery	#####	\$(65,744)
Deferred tax recovery	293,404	-
	\$ 95,057	\$ (65,744)

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21. Income Tax - Continued

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2020 and 2019 are comprised of the following:

	2020	2019
Non-capital loss carryforwards - China	\$ 68,475	\$ 41,258
Accounts receivable and others	(166,386)	(189,431)
Accounts payable and liabilities	(250,288)	161,432
Property, plant and equipment	38,402	(13,259)
Net deferred tax asset (liability)	\$ (309,797)	\$ -

The unrecognized deductible temporary differences are as follows:

	2020	2019
Non-capital loss carry forwards - Canada	\$7,254,439	\$ 6,712,068
Net capital loss carry forwards - Canada	494,007	484,270
Property, plant and equipment - Canada	107,662	105,540
Non-capital loss carry forwards - China	29,298	20,921
Unrecognized deductible temporary differences	\$7,885,406	\$ 7,322,799

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21. Income Tax - Continued

As at December 31, 2020, the Company has non-capital loss carryforwards of approximately \$7,254,439 (2019: \$6,712,068) 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	2020
2026	\$ 874,028
2027	1,048,421
2028	348,933
2029	479,533
2030	448,363
2031	397,128
2032	423,092
2033	405,959
2034	405,038
2035	406,530
2036	371,085
2037	425,709
2038	414,103
2039	399,106
2040	407,411
Total	\$ 7,254,439

As at December 31, 2020, the Company has net capital loss carryforwards of approximately \$494,007 (2019: \$484,270) 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.

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21. Income Tax - Continued

As at December 31, 2020, the Company has non-capital loss carryforwards of approximately \$29,298 (2019: \$20,921) 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	2020
2021	\$ 4,649
2022	4,562
2023	2,466
2024	5,862
2025	11,759
Total	\$ 29,298

22. Contingent Liabilities

In November 2019, a local Chinese company (“plaintiff”) filed a legal claim in China against TTTC for RMB5,820,000 (\$892,053) as their commission income. The amount subject to the claim has been held as restricted cash. The legal case has been heard in court. However, the decision has not been released by the court as of the release date of the consolidated financial statements due to COVID-19 pandemic. Management is of the opinion that the legal claim is without merit and remote as the plaintiff could not provide any contractual evidence demonstrating that TTTC has engaged for their services. No provision of the potential liability has been made in the consolidated financial statements.

Another local Chinese company filed a legal claim in China against TTTC for RMB580,000 (\$88,786) for their service fees. The court advised both parties to enter into negotiation for settlement. The negotiation is in progress and has not been finalized at the release date of the consolidated financial statements. The Company has made enough provision for the settlement of the negotiated balance and the amount is recorded in trade and other payables.