

# **CHINA EDUCATION RESOURCES INC.**

**Management's Discussion and Analysis  
For the period ended September 30, 2021**

**FORM 51-102F1**

This Management Discussion and Analysis (“MD&A”) reviews the activities of China Education Resources Inc. (“CER”), its Chinese operating subsidiaries, Today’s Teachers Technology & Culture Ltd. (“TTTC”), CEN Smart (“CEN”) and Zhong Yu Cheng Yuan Education Technology Ltd. (previously known as Zhong Yu Cheng Yuan Curriculum Development Center Ltd.) (“ZYCY”) (and/or collectively the “Group”) and compares the financial results for the period ended September 30, 2021 with the same period of 2020. The MD&A should be read in conjunction with the interim condensed consolidated financial statements and accompanying notes for the period ended September 30, 2021, copy of which is filed on the SEDAR website.

All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRSs”), except those exceptions specially mentioned.

All dollar amounts presented are expressed in United States dollars unless otherwise noted.

## **FORWARD LOOKING INFORMATION**

Except for statements of historical fact, the discussion and analysis of financial performance and position including, without limitation, statements regarding projections, future plans, and objectives of CER are forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are based on management experience, historical results, current expectations and analyses, trends, government policies, and current business and economic conditions, including CER’s analysis of its product and distribution system and its expectations regarding the effects of anticipated product and distribution changes and the potential benefits of such efforts and activities on CER’s results of operations in future periods. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements.

## **DATE OF REPORT – November 26, 2021**

## **DESCRIPTION AND OVERVIEW OF BUSINESS**

CER is a corporation organized under the predecessor to the *Business Corporations Act* of British Columbia. CER is a public company traded on the TSX Venture Exchange with the trading symbol “CHN” and OTC Markets with the trading symbol “CHNUF”. The Group, through its subsidiaries in China, is a leading provider of kindergarten to grade 12 (“K-12”) education resources and services through its national internet portal, China Education Resources and Services Platform (“CERSP”), [www.cersp.com](http://www.cersp.com), to China’s kindergarten to grade 12 education market.

The Group has worked in all areas of education resources development, marketing and sales. Working with the Curriculum Development Center (“CDC”) of China’s Ministry of Education (“MOE”) and Chinese Society of Education (“CSE”) the largest academic association in China, CER has developed a unique national education portal ([www.CERSP.com](http://www.CERSP.com)) to help the Central Government implement policy reform. This reform effort is designed to bring China’s education system into the twenty first century by changing teaching methods from rote memory learning to a more individualized and creative approach. Teachers completed the national or provincial online training programs on CERSP.com will receive teacher’s continuing education credit from either MOE or provincial education authorities. In collaboration with China’s various education authorities and experts, the CERSP portal is designed to support all stakeholders and participants in the K-12 education domain; teachers, students, administrators, subject matter experts, and parents.

The Group's comprehensive Education Services Portal ("ESP") is a natural extension of CERSP, and helps to organize the wealth of teaching, learning, and administrative resources available through CERSP at the individual school level.

CERSP is the equivalent of a mega-portal. It is designed to be accessible by everyone associated with K-12 education across China and loaded with robust features and resources that enable the development, delivery, and support of resources and activities related to the national K-12 education reform initiative. CERSP is a primary venue for teacher training in schools, districts, cities, and provinces. It is also the aggregator for subject matter experts in all K-12 subject areas and a place where they can gather virtually to improve upon the work they have done in response to national mandates.

ESP, on the other hand, is a commercial service for the K-12 education marketplace that extends the reach and relevance of the CERSP portal at the school and individual level. Its primary function is to support the administrative, teaching, learning, testing, and assessment needs of an individual school, and it does so in a way that is standardized, allowing for combined results to the district, city, province, or national level. CERSP can be regarded as a large "back-end" resource that greatly enriches each instance of ESP. ESP can be considered as a way to monetize the momentum of CERSP by creating a direct, revenue producing relationship with every school, administrator, teacher, parent and student that subscribes.

Currently, our ESP provides the following services:

(a) School Platform

The school platform provides a link between a school with its teachers, students and parents. Through the platform, the school can send messages to the teachers, students and parents. The teachers can upload homework and tests to the platform and the students can go to the platform to complete and submit their homework and write the tests. The school can automatically collect the markings received by each student. Each teacher and student has his or her own account number registered with the platform. Currently, the Group is adding mobile learning solutions to the School Platform for both of the students and teachers.

(b) Online tutoring program

Online tutoring program is a platform developed for a teacher to provide online tutoring services through the internet to his or her students. This program still has not started to generate revenue.

(c) Digital education products

Digital education products are the products containing digital textbook tutorial materials, digital supplementary materials such as lesson plans, course modules and tests. CER has had more than 100,000 lesson plans, course modules and continues to develop the materials.

The Group, through TTTC, acquired a 60% interest ZYCY, a distributor of education products in China for RMB6,000,000 (\$878,460) paid in 2,860,000 shares of common stock of the CER at a deemed value of CND0.35 (\$0.30) per share. On top of increasing its book selling business, the

Group can also strengthen its sales and distribution of its national CERSP and ESP web portal services in China through the sales team of ZYCY.

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.

#### *Four Step Growth and Revenue Strategy*

The Group has implemented a four-step growth and revenue strategy which is now being commercialized and expanded nationwide.

The first step of the strategy involves working with various levels of government to deliver government-funded online teacher training programs. The Group has developed more than 2,000 online teacher training courses for the continuous education of teachers. This means teachers can obtain government certificates upon successful completion of any of these courses through national, provincial and municipal teacher training programs. 1.8 million K-12 teachers were trained in the Group's teacher training programs. CER, through its subsidiaries in China, is endorsed by China's Ministry of Education ("MOE") for national level online teacher training programs.

The second step of the strategy involves integrating the Group's products and services into teachers' daily routines. This will allow teachers to interact and communicate with each other while establishing a close relationship with the Group and its products. These products include online teacher training, professional development and sharing of lesson plans. The CERSP portal is one of the largest and most popular K-12 teacher blog systems in China with more than one million registered and active K-12 teachers. The CERSP portal has developed into a strong national brand and it has a reputation for offering best-in-class online learning products and services. The first two steps are well underway and are expanding into more provinces.

The third step involves promoting products directly to teachers through CER's School Platform. The School Platform provides a link between a school with its teachers, students and parents. Through the platform, the school can send messages to the teachers, students and parents. The teachers can upload homework and tests to the platform and the students can go to the platform to complete and submit their homework and write the tests. The school can automatically collect the markings received by each student. Each teacher and student has his or her own account number registered with the platform.

The fourth step of the growth strategy is to target students by offering a number of products and services. This includes offering our collection of online tutoring courses, customized education resources, formative assessment tools and education games. Currently, CER is adding mobile learning solutions to both of the students and teachers.

Please refer to the Outlook section at the end of this MD&A on the current achievement made by the Group.

#### **OVERALL PERFORMANCE**

During the three months ended September 30, 2021, the Group generated revenue of \$1,814,226 as compared with \$1,079,745 for the same period of last year. The net loss attributable to the

shareholders of the Group for the period was \$37,499 as compared with \$92,642 for the same period of last year. The basic and diluted loss per share was \$0.00 for the three months ended September 30, 2021 as compared to \$0.00 for comparable period ended September 30, 2020.

During the nine months ended September 30, 2021, the Group generated revenue of \$7,037,476 as compared with \$5,413,520 for the same period of last year. The net income attributable to the shareholders of the Group for the period was \$40,416 as compared with \$373,690 for the same period of last year. The basic and diluted earnings per share was \$0.00 for the nine months ended September 30, 2021 as compared to \$0.01 for comparable period ended September 30, 2020.

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. 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.

### **Selected Annual Information**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total revenue	\$ 7,425,335	\$ 9,390,402	\$ 11,863,341
Net (loss) income	359,449	(353,239)	(210,367)
Net (loss) income per share	0.01	(0.01)	(0.00)
Total assets	7,218,025	7,134,923	7,788,227
Long-term liabilities	340,858	72,364	-

The increase in net income for 2020 compared to 2019 was mainly due to the decrease in general and administrative expense and selling expense.

The increase in net loss for 2019 compared to 2018 was mainly due to the decrease in revenue from online products, the decrease in revenue from online products was mainly due to the delay in conducting teacher training by some cities in China.

### **Results of Operations**

#### ***For the three months ended September 30, 2021:***

For the three months ended September 30, 2021, the Group reported aggregate sales revenue of \$1,814,226 (2020: \$1,079,745). The revenue from book sales and distribution service was \$892,129 and revenue from online products was \$922,097. There was an increase in revenue from both book sales and distribution service and online products for the current quarter as compared to the same period in 2020.

The following is a discussion of certain expense categories:

*General and administrative expenses*

For the three months ended September 30, 2021, general and administrative expenses were \$461,904 as compared to \$324,412 for the same period in 2020. The increase was mainly due to the increase in salaries, wages, commission and benefits of \$278,102 as compared to \$144,503 for the same period in 2020.

Accounting and audit were \$43,150 for the three months ended September 30, 2021 as compared to \$41,846 for the same period in 2020.

Consulting expense were \$36,181 for the three months ended September 30, 2021 as compared to \$43,405 for the same period in 2020.

Salaries, wages, commission and benefits were \$278,102 for the three months ended September 30, 2021 as compared to \$144,503 for the same period in 2020. The increase was due to payment of bonus to staff.

*Depreciation*

The depreciation was \$11,789 for the three months ended September 30, 2021 as compared to \$16,142 for the same period in 2020.

*Selling and marketing expenses*

The selling and marketing expenses were \$167,969 for the three months ended September 30, 2021, which were decreased as compared to \$509,048 incurred in the same period in 2020. The decrease was mainly due to the reduction in commission and promotion expenses incurred.

*Finance cost*

The Group incurred net finance income of \$11,160 for the three months ended September 30, 2021 as compared to net finance cost of \$9,616 for the same period of 2020. The increase in net finance income was mainly due to the increase in other income of \$18,747 relating to the gain on disposal of capital assets during the three months period ended September 30, 2021.

***For the nine months ended September 30, 2021:***

For the nine months ended September 30, 2021, the Group reported aggregate sales revenue of \$7,037,476 (2020: \$5,413,520). The revenue from book sales and distribution service was \$4,813,425 and revenue from online products was \$2,224,051. There was an increase in revenue from both book sales and distribution service and online products for the current period as compared to the same period in 2020.

The following is a discussion of certain expense categories:

*General and administrative expenses*

For the nine months ended September 30, 2021, general and administrative expenses were \$1,223,435 as compared to \$915,840 for the same period in 2020. The increase was mainly due to the increase in salaries, wages, commission and benefits of \$697,797 as compared to \$437,371 for the same period in 2020.

Accounting and audit were \$132,042 for the nine months ended September 30, 2021 as compared to \$121,536 for the same period in 2020.

Consulting expense were \$111,881 for the nine months ended September 30, 2021 as compared to \$110,214 for the same period in 2020.

Salaries, wages, commission and benefits were \$697,797 for the nine months ended September 30, 2021 as compared to \$437,371 for the same period in 2020. The increase was due to payment of bonus to staff.

*Depreciation*

The depreciation was \$38,139 for the nine months ended September 30, 2021 as compared to \$48,162 for the same period in 2020.

*Selling and marketing expenses*

The selling and marketing expenses were \$1,695,644 for the nine months ended September 30, 2021, which were increased as compared to \$1,219,778 incurred in the same period in 2020. The increase was mainly due to the increase in consulting expenses of \$616,610 and training expenses of \$171,191 incurred during the current period and no such expenses incurred during the same period in 2020.

*Finance cost*

The Group incurred net finance income of \$1,023 for the nine months ended September 30, 2021 as compared to net finance cost of \$5,312 for the same period of 2020. The increase in net finance income was mainly due to the increase in other income of \$18,747 relating to the gain on disposal of capital assets during the nine months period ended September 30, 2021.

**SUMMARY OF QUARTERLY AND ANNUAL RESULTS**

All amounts are expressed in United States dollars. In addition, all amounts are in thousands except for per share amounts.

	<b>For the Quarters Ended</b>			
	<b>9/30/2021</b>	<b>6/30/2021</b>	<b>3/31/2021</b>	<b>12/31/2020</b>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	1,814	3,995	1,228	2,012
Net income (loss) for the period	(106)	384	(386)	22
Net income (loss) per share	(0.00)	0.01	(0.01)	(0.00)
Total assets	8,893	8,968	6,375	7,218
Total liabilities	8,639	8,724	6,522	6,933

	<b>For the Quarters Ended</b>			
	<b>2020-09-30</b>	<b>2020-06-30</b>	<b>2020-03-31</b>	<b>2019-12-31</b>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	1,080	3,735	599	2,403
Net income (loss) for the period	(235)	978	(406)	(950)
Net income (loss) per share	(0.00)	0.02	(0.01)	(0.02)
Total assets	7,057	8,363	6,405	7,135
Total liabilities	6,797	7,958	6,876	7,378

## **FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES**

Working capital decreased by \$18,951 to \$495,258 at September 30, 2021 from working capital of \$514,209 at the beginning of the year, primarily as a result of the decrease in cash during the current period.

Cash used in operating activities was \$1,285,523 for the period ended September 30, 2021, compared to \$1,269,006 for the period ended September 30, 2020.

Cash provided by investing activities was \$35,816 for the period ended September 30, 2021, compared to cash used in investing activities was \$855 for the period ended September 30, 2020.

Cash provided by financing activities was \$212,928 for the period ended September 30, 2021, compared to \$88,877 for the period ended September 30, 2020.

At September 30, 2021, accounts and other receivables increased to \$5,812,619 from \$3,052,374 at December 31, 2020. The increase was mainly due to the long credit period required to collect the outstanding receivables.

The Group has increased its types of services provided through its education service portal. The revenue of the Group is expected to increase through providing additional services to the customers.



The Group also plans to have equity or debt financing to maintain the Group's capacity, meet planned growth and fund development activities.

### **Equipment**

At September 30, 2021, the Group's net equipment cost was \$32,795 as compared to \$36,671 as at December 31, 2020. This decrease was mainly attributed to the depreciation of \$8,673 for the current period.

### **Liabilities**

The Group's total liabilities were \$8,639,183 as at September 30, 2021, compared to \$6,933,421 as at December 31, 2020. The increase was mainly due to the trade and other payables was \$4,383,748 as at September 30, 2021 as compared to \$3,031,360 as at December 31, 2020.

### **Shareholders' Equity**

There was a deficiency of \$606,595 as at September 30, 2021 as compared to \$713,474 as at December 31, 2020, which included the net income attributable to shareholders of \$40,416 for the period ended September 30, 2021 as compared to \$373,690 for the same period in 2020.

### **Outstanding share data**

The Group's common shares outstanding as at November 26, 2021 were 47,364,983.

At November 26, 2021, the Group has outstanding stock options of 4,730,000. Details are as follows:

<b>Exercise Price (CAD)</b>	<b>Number</b>	<b>Expiry Date</b>
\$ 0.14	1,000,000	May 29, 2022
\$ 0.10	1,030,000	August 17, 2025
\$ 0.10	2,600,000	July 12, 2026
\$ 0.10	100,000	July 12, 2023
	<u>4,730,000</u>	

As at November 26, 2021, there were no outstanding stock purchase warrants.

### **Dividend**

The payment of dividends to shareholders will depend on a number of factors such as earnings, CER's financial requirements and other factors that the Board of Directors considers relevant in the circumstances. The Group currently does not have intention to pay dividends on the common shares. The Board of Directors will review this policy, from time to time, as circumstances change. To date, CER has not declared or paid any dividends on any of its shares.

## OFF-BALANCE SHEET ARRANGEMENTS

The Group does not have any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

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 September 30, 2021 and December 31, 2020.

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	Three months ended		Nine months ended	
		September 30, 2021	2020	September 30, 2021	2020
C F Zhou (director and CEO)	Consulting fees (i)	\$ 36,443	\$ 33,676	\$ 109,328	\$ 101,028
C F Zhou (director and CEO)	Interest expense (ii)	4,916	4,543	14,588	13,530
Danny Hon (director and CFO)	Accounting fees (iii)	18,860	19,049	60,417	54,497
Danny Hon (director and CFO)	Interest expense (iv)	2,117	1,956	6,282	5,825
		<u>\$ 62,335</u>	<u>\$ 59,223</u>	<u>\$ 190,615</u>	<u>\$ 174,881</u>

Director/Officer	Balance	September 30,	December 31,
		2021	2020
C F Zhou (director and CEO)	Consulting fees payable (i)	\$ 1,718,867	\$ 1,611,204
C F Zhou (director and CEO)	Loan payable (ii)	127,698	127,789
C F Zhou (director and CEO)	Loan interest payable (ii)	167,640	153,422
Danny Hon (director and CFO)	Accounting fees payable (iii)	747,746	695,017
Danny Hon (director and CFO)	Loan payable (iv)	54,982	55,021
Danny Hon (director and CFO)	Loan interest payable (iv)	83,038	76,924
		<u>\$ 2,899,972</u>	<u>\$ 2,719,377</u>

(i) The consulting fees owing to C F Zhou as at September 30, 2021 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 September 30, 2021, there was an interest payable balance of \$167,640 (December 31, 2020: \$153,422) 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 September 30, 2021 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 September 30, 2021, there was an interest payable balance of \$83,038 (December 31, 2020: \$76,924) owed to Danny Hon.

## **AREAS OF ASSUMPTIONS 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 September 30, 2021, allowance for expected credit loss is \$1,145,376 (December 31, 2020 - \$1,133,968) based on management’s assessment of credit history with the customers and current relationships with them.

### **(ii) 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.

### **(iii) 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.

### **(iv) Going concern**

Management has applied judgments in the assessment of the Group’s ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the periods ended September 30, 2021 and 2020. 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 are 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.

(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.

(iv) 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.

## **RISK AND UNCERTAINTY FACTORS**

### **History of losses and anticipate that we may continue for the foreseeable future**

The Group has recognized a net income attributable to shareholders of \$40,416 (2020: \$373,690) for the period ended September 30, 2021 and has incurred a cumulative loss of \$33,734,290 since inception. The Group's future business plan includes the further development and operation of CER's education service portal and soccer education program. The Group's ability to continue as a going concern is depending upon achieving acceptance by the users and profitable level of operations of the education service portal and on the ability to obtain necessary financing to fund our operations. The outcome of these matters cannot be predicted at this time.

### **Seasonality**

Historically in its traditional distribution business, the operations of the business are highly seasonal. The Group is attempting to lessen the seasonality of the business by expanding its business into other related areas in the education sector through its internet education service portals.

## **Reliance on Government Relationships**

The Group is relying upon continued good working relationships and acceptance from both the national and regional governments it works with. If the CERSP portal was no longer acceptable or it failed to meet acceptable government standards for the K-12 sector, it would seriously impact the continued successful deployment of the CERSP portal and education service portal.

## **Tax and Legal Systems in China**

The Group, through its subsidiaries, conducts a significant amount of its business in China. China currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and payroll (social) taxes, together with others. Laws related to these taxes have not been in force for a significant period, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that the relevant authorities could take different positions with regard to interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review.

## **Competition**

Foreign direct investment in China has increased rapidly and the investment environment has further improved to encourage foreign and local investors to invest in fields, such as education, high-tech, modern agriculture and infrastructure construction. A number of large companies are involved in the publishing and distribution of educational products in the mainstream areas of math, science and language arts. There is no guarantee that other competitors will not become involved in business similar to that of the Group.

## **Management**

The Group currently has a small executive management group, which is sufficient for its present stage of development. Although the Group's development to date has largely depended and in the future will continue to depend upon the efforts of certain current executive management, the loss of a member of this group could have a material adverse effect on the Group.

## **Funds Remittance**

Provided that conversion of Renminbi into foreign exchange and the remittance of foreign exchange are duly arranged in accordance with the relevant laws and regulations on foreign exchange, a Foreign Investment Enterprise ("FIE") is able to remit dividends and other payments from China.

According to the 1999 Circular on Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses out of China Through Designated Foreign Exchange Banks, effective from October 1, 1999, an FIE is permitted to remit profits, dividends and bonuses out of China in proportion to the amount of registered capital that has been paid up, notwithstanding that its registered capital has not been paid up pursuant to its constitutional documents.

China has recently implemented a set of regulations, including more restrictive control on remitting money from China to foreign countries, which may affect the operations of the Canada Head Office that relies on the remittance support from our China operations.

## **Financial Instruments**

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, trade and other receivables (excluding GST and VAT receivables), due from related parties, long term other receivable, and trade and other payables.

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, 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.

### **(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 September 30, 2021, the Group had a working capital of \$495,258 (December 31, 2020: \$514,209). 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 September 30, 2021, 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.

## **SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2020.

### **New standards and interpretations adopted during the period**

The Group did not adopt any new standards and interpretation during the period ended September 30, 2021.

### **New standards and interpretations not yet adopted during the period**

#### *Amendments to IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets*

In May 2020, the IASB issued amendments to clarify the costs that a company should include as the cost of fulfilling a contract when assessment is made as to whether a contract is onerous. The amendment is effective January 1, 2022, with early adoption permitted. The Company does not expect the adoption of the standard to have material impact on the Company's consolidated financial statements.

#### *Amendments to IAS 16 - Property, Plant and Equipment*

In May 2020, the IASB issued amendments to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective January 1, 2022, with early adoption permitted. The Company does not expect the adoption of the standard to have material impact on the Company's consolidated financial statements.

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.

## **CONTINGENT LIABILITY**

In November 2019, a local Chinese company (“plaintiff”) filed a legal claim in China against TTTC for RMB5,820,000 (\$899,888) 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.

## **OUTLOOK**

The Group’s objective is to provide the leading kindergarten to grade 12 education service platform, content provider and social networking system in China’s education sector. The Group provides a wide range of services to government education authorities, schools, teachers, students and their parents.

As part of our four-step growth and revenue strategy, the Group has achieved the followings:

CER has developed digital textbooks and started to provide the digital textbooks to the students in China. This is a significant step for CER to combine the Group’s internet portal with traditional textbooks, which also provides significant opportunities for CER’s textbook business.

The Group has developed more than 2,000 online teacher training courses for the continuous education of teachers and also developed more than 100,000 K-12 online lesson plans and is continuing to develop new educational content and upgrade the technology and functions of its portal.

CER has developed and launched a brand new online training course on teachers’ manners and etiquette. Due to the increased use of information technology and social media to interact with students and their parents, there is a high demand from teachers to take such a training course in order to upgrade their own manners, etiquette and communication skills for appropriately dealing with others in both the real and virtual world. CER has launched its online IT Proficiency Training Program designed to improve the IT application capability of K-12 teachers. The program includes a set of 130 training courses plus supplemental materials. Starting from 2020, IT proficiency training courses are part of the mandatory requirements for all the 12 million K-12 teachers in China by the Chinese Ministry of Education. Because of increased use of information technology and social media in both education and interactions with students as well as their parents, teachers are required to familiarize themselves with and enhance their skills in IT in order to improve their educational quality and teaching results. CER has developed and launched its Online Psychological Counselling Training Program for K-12 teachers. A United Nations report states that from the onset of the COVID-19 pandemic, teachers were immediately tasked with implementing distance learning modalities, often without sufficient guidance, training, or resources. Teachers across the globe were largely unprepared to support a seamless transition in learning and adapt to new teaching methodologies. Likewise, students and their families



currently need more help than ever due to the unexpected impact of the pandemic on individuals and their families. Therefore, it is critical to provide teachers with the help and tools needed to navigate these unprecedented challenges, most especially in light of the psychological burden COVID-19 has placed on individuals at large.

CER has launched its Online School Safety Training Program for K-12 teachers. The School Safety Training program, together with other CER training programs launched during the span of the COVID-19 pandemic, has been created in direct response to market demand, especially from the teacher community. Other CER training programs launched during the pandemic include CER's Online Psychological Counselling Training Program, as well as CER's other new teachers' training programs announced in 2020 such as its Online Teachers' Manners and Etiquette Training Programs in addition to its Online IT Proficiency Training Program.

Our online education platform and services provide a vertically blended learning, teaching, research and management system for a "student-teacher-school-parent community". It not only provides academic and professional training courses to teachers but also enhances their social communication skills with parents, community members, and students. We believe it will provide CER with long-term revenue potential.

CER, together with its partners, has completed the most comprehensive high-quality soccer textbooks with online/offline solutions for soccer education program. The soccer textbooks include thirteen student textbooks (one book per grade) and four teacher's books used for teaching the student soccer textbooks. The textbook set also comes with soccer training video contents for students and teachers.

The online training platform of soccer education provides a vertically blended learning, teaching, research and management system for users; it highlights the central role of personal studio and provides various forms of curriculum resources and interactive learning tools. Users can select courses and services and combine the forces of district, school, class and individual to accommodate different levels of learning, teaching and research activities. Users can scan the QR code on the soccer textbooks to enter the learning & training platform via their mobile phones.

Work with the sports companies of Spain and U.K., CER can arrange registered UEFA soccer coaches to go to China for face-to-face tutoring and teaching on soccer training activities to Chinese students and local coaches, or arrange Chinese students to go to overseas for soccer summer camp programs. These activities will be available for different ages of students.

Soccer education has emerged as a new horizon in China education sector and is rapidly spreading throughout China. Soccer game is very popular in China and the Chinese central government has announced the China School Soccer Master Plan in 2015 and declared soccer as a national priority and harbors an ambition to see the country host and win the World Cup. It is the first time ever in China that it introduces soccer textbook to China K to

12 school system as mandatory courses. As a result, Chinese students urgently need leading edge soccer education materials from the latest international soccer industry.

Chinese central government has announced the development plan of China sports industry to achieve \$800 billion or more by 2025, and the biggest segment is soccer. Management believes that CER will benefit from the China soccer market through providing various types of soccer education programs.

Through our comprehensive high-quality textbooks, video contents, training programs, on-line platform and smart phone technology, CER will out-perform our competitors with our total solutions to both the students and teachers in soccer learning and training in China.

We are excited of the great opportunity to integrate the functions of our online teacher training platform and school platform, and provide a unique blended online/offline contents and services to teachers and students for soccer education program. We expect it will generate more revenue to CER.

Due to the COVID-19 pandemic, the progress of certain programs, including soccer education and some after school education, has been delayed. Following the gradual recovery of economy in China after the peak period of COVID-19 pandemic, we expect that progress will be made in the near future.

The COVID-19 pandemic has accelerated the digitalization process of classrooms and changed the education landscape indefinitely. Now, more than ever, online education and educational technology is in great demand. CER is perfectly poised to cater towards the intensified e-learning market demands which have arisen as a direct result of the COVID-19 pandemic.