

# **China Education Resources Inc.**

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

**Three Months Ended March 31, 2009**  
**(Unaudited)**

## **Management's Responsibility for Financial Reporting**

The accompanying unaudited interim consolidated financial statements of China Education Resources Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **Notice to Reader**

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

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

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

**CHINA EDUCATION RESOURCES INC.**  
**Consolidated Balance Sheets**  
**As at March 31, 2009 and December 31, 2008**

(See note 1 - Basis of presentation)

**(Expressed in U.S. Dollars)**

	2009	2008
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 511,690	\$ 856,627
Accounts receivable (Note 5)	43,219	42,913
Inventory	99,598	99,640
Prepaid expenses & deposits	49,611	24,362
Other receivable	43,395	57,519
Total current assets	747,513	1,081,061
Due from a related party (Note 8)	80,701	80,839
Long-term other receivable (Note 6)	18,511	18,542
Equipment and website development costs (Note 7)	1,235,279	1,590,321
Goodwill	3,210,218	3,210,218
Total assets	\$ 5,292,222	\$ 5,980,981
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,657,453	\$ 2,717,158
Income taxes payable	2,138,585	2,126,716
Total liabilities	4,796,038	4,843,874
<b>Commitments</b> (Note 12)		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	28,376,584	28,376,584
Contributed surplus	1,568,655	1,557,616
Accumulated other comprehensive income	487,765	492,005
Deficit	(29,936,820)	(29,289,098)
Total shareholders' equity	496,184	1,137,107
Total liabilities and shareholders' equity	\$ 5,292,222	\$ 5,980,981

Approved by the Board:

**"CF Zhou"**

Director

**"Bill Calvin"**

Director

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

**CHINA EDUCATION RESOURCES INC.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
for the three months ended March 31, 2009 and 2008  
(Unaudited)

(Expressed in U.S. Dollars)

	2009	2008
Revenue		
Book sales and distribution services	\$ 7,482	\$ 92,457
Teacher training	3,990	20,158
	11,472	112,615
Cost of sales	4,635	34,447
Gross profit	6,837	78,168
Expenses		
General and administrative	295,776	428,455
Amortization	296,482	288,271
Bad debts	-	588
Selling expenses	51,723	21,495
Stock-based compensation (Note 10(b))	11,039	234,881
	655,020	973,690
Operating loss	(648,183)	(895,522)
Other income		
Interest income	461	7,460
Net loss for the period	(647,722)	(888,062)
Unrealized exchange gain (loss) on translation of self-sustaining foreign operations	(4,240)	26,959
Comprehensive loss	\$ (651,962)	\$ (861,103)
Loss per share - Basic and diluted	\$ (0.0151)	\$ (0.0210)
Weighted average number of common shares used to calculate basic and diluted loss per share	43,004,983	42,196,192

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

**CHINA EDUCATION RESOURCES INC.**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
for the three months ended March 31, 2009 and year ended December 31, 2008  
(Unaudited)

(Expressed in U.S. Dollars)	Number of Shares	Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2007 Restated (Note 1)	38,404,983	\$ 26,140,551	\$ 1,250,845	\$ 626,668	\$ (25,754,470)	\$ 2,263,594
Issued for cash under private placement in January 2008 (Note 9(a))	4,600,000	2,236,033	-	-	-	2,236,033
Stock-based compensation	-	-	306,771	-	-	306,771
Foreign currency translation	-	-	-	(134,663)	-	(134,663)
Net loss for the year ended December 31, 2008	-	-	-	-	(3,534,628)	(3,534,628)
Balance, December 31, 2008	43,004,983	\$ 28,376,584	\$ 1,557,616	\$ 492,005	\$ (29,289,098)	\$ 1,137,107
Stock-based compensation	-	-	11,039	-	-	11,039
Foreign currency translation	-	-	-	(4,240)	-	(4,240)
Net loss for the three months ended March 31, 2009	-	-	-	-	(647,722)	(647,722)
Balance March 31, 2009	43,004,983	\$ 28,376,584	\$ 1,568,655	\$ 487,765	\$ (29,936,820)	\$ 496,184

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

**CHINA EDUCATION RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
for the three months ended March 31, 2009 and 2008  
(Unaudited)

(Expressed in U.S. Dollars)

	2009	2008
<b>Cash flows from (used in) operating activities</b>		
Net loss from continuing operations	\$ (647,722)	\$ (888,062)
Items not affecting cash:		
Amortization	296,482	288,271
Bad debts	-	588
Disposal of assets	-	10,357
Stock based compensation	11,039	234,881
Changes in non-cash working capital items		
Accounts and other receivable	12,521	(11,701)
Inventory	(128)	(3,083)
Prepaid expenses and deposits	(25,917)	(48,294)
Accounts payable & accrued liabilities	(51,786)	(158,245)
Income taxes payable	14,588	56,181
	<u>(390,923)</u>	<u>(519,107)</u>
<b>Cash flows from (used in) investing activities</b>		
Additions to equipment	(1,865)	(1,250)
Proceeds on disposal of equipment	-	(6,828)
	<u>(1,865)</u>	<u>(8,078)</u>
<b>Cash flows from (used in) financing activities</b>		
Net proceeds on issuance of share capital	-	2,236,033
Repayment to related parties	(1,609)	-
	<u>(1,609)</u>	<u>2,236,033</u>
Effect of foreign exchange rate	49,460	(76,061)
Net cash inflow (outflow) during the period	(344,937)	1,632,787
Cash and cash equivalents, beginning of period	856,627	293,929
Cash and cash equivalents, end of period	\$ 511,690	\$ 1,926,716
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ -	\$ 675
Taxes paid	\$ -	\$ -

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

**China Education Resources Inc.**  
**Interim Consolidated Financial Statements**  
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**(Unaudited)**

**1. Nature of Operations and Going Concern**

*(a) Nature of Operations*

China Education Resources Inc., together with its subsidiaries (individually and collectively referred to as the “Company”), provides an education internet portal with educational content, resources and training programs to users in People’s Republic of China (“China”). The Company’s principal activity up to late 2006 was distribution of educational textbooks and materials developed by the Company to bookstores and schools in China.

*(b) Going Concern*

These consolidated financial statements have been prepared on the basis of a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. 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 is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as going concern as described in the following paragraph. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

The Company has a need for financing for working capital, development and update its education internet education portal. The ability of the Company to continue as a going concern is dependant upon the acceptance of the education internet portal by the users to achieve a profitable level of operations by the Company and on the ability of the Company to obtain necessary financing to fund the Company’s future business plan. The outcome of these matters cannot be predicted at this time. Since inception, the Company has incurred cumulative losses of \$29,936,820 and for the three months ended March 31, 2009, incurred negative operating cash flow from continuing operations of approximately \$390,000.

**2. Basis of Presentation and Accounting Policies**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2009 may not necessarily be indicative of the results that may be expected for the year ended December 31, 2008.

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**2. Basis of Presentation and Accounting Policies - Continued**

The consolidated balance sheet at December 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

These unaudited consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries, CEN China Education Network Ltd. ("CEN Network"), China Education International Inc. and CEN China Education Overseas Corporation; and its 90% owned subsidiaries CEN Smart Networks Ltd. ("CEN Smart") and Today's Teachers Technology & Culture Ltd. ("TTTC"). All significant inter-company transactions and accounts have been eliminated.

Certain comparative figures have been reclassified to conform to the current period presentation. These reclassifications have not had an impact on results of operations for the period.

*The Company adopted the following new accounting policies as from January 1, 2009:*

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets* (Section 3064). Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The new Section is applicable to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Upon adoption of Section 3064, EIC 27, *Revenue and Expenditures During the Pre-Operating Period*, will no longer be applicable. The adoption of Section 3064 did not have a material impact on the Company's consolidated financial statements.

(ii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee of the Accounting Standards Board issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. Under EIC-173, an entity is required to take into account its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities. EIC-173 is applicable to interim and annual financial statements for periods ending after January 20, 2009. The adoption of EIC-173 did not have a material impact on the Company's consolidated financial statements.



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**2. Basis of Presentation and Accounting Policies - Continued**

*Recent Accounting Pronouncements*

(i) International Financial Reporting Standards (“IFRS”)

In February 2008, the Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing the publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as of January 1, 2010. The AcSB proposed that CICA Handbook Section, Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft. The corporation is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Corporation does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required, as well as system changes that may be necessary to gather and process the required information.

(ii) Business combinations

In January 2009, the CICA issued the new handbook Section 1582, “Business Combinations” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company’s financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in 2010.

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**2. Basis of Presentation and Accounting Policies - Continued**

*Recent Accounting Pronouncements - Continued*

(iii) Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in the parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in 2010 in connection with the conversion to IFRS.

**3. Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, 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 Company's management to sustain future development of the business.

Although the Company has commercialized its teaching training portal in February 2007 and launched its education internet portal in late 2008, the Company is still dependent on external financing to fund its future business plan until it achieves a profitable level of operations. The Company will spend its existing working capital and raise additional amounts as needed. The Company 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.

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

There were no changes in the Company's approach to capital management during the three months ended March 31, 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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**4. Financial Instruments**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, due from a related party, long term other receivable, and accounts payable and accrued liabilities.

The Company'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 Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Other receivables consist of goods and services tax due from the Federal Government of Canada, interest receivable and amounts advanced to employees and others. Management assesses the credit risk concentration with respect to accounts receivable and other receivables annually and adjusts them accordingly.

One (2008: Two) customer represent in excess of 10% of trade accounts receivable at March 31, 2009. Three (2008: Three) customers represent in excess of 10% of total revenue at March 31, 2009.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2009, the Company had a negative working capital of \$4,048,525 (December 31, 2008 - \$3,762,813). The Company is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

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**4. Financial Instruments - Continued**

(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. The Company is exposed to short term interest rates through the interest earned on cash and cash equivalents. The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The majority of the Company's assets, liabilities, revenues and expenses are denominated in Chinese Renminbi ("RMB"), which was tied to the US dollar and is now tied to a basket of currencies of China's largest trading partners, is not a freely convertible currency. The appreciation of the RMB against the US dollar would result in an increase in the assets, liabilities, revenues and expenses of the Company and a foreign currency gain included in comprehensive income. Conversely, the devaluation of the RMB against the US dollar would result in a decrease in the assets, liabilities, revenues and expenses of the Company and a foreign currency loss included in comprehensive income.

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian dollars and RMB. The Company maintains Chinese RMB bank accounts in China to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk. At March 31, 2009, approximately \$357,880 of the cash was held in RMB.

Fluctuation in the value of Canadian dollar relative to US dollar has some impact on the Company's head office financial results. However, such exchange rate fluctuations have not materially affected the overall financial earnings and results on a consolidated basis.

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**4. Financial Instruments - Continued**

(c) Market risk - Continued

(iii) Price risk

The Company is exposed to risk of equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company monitors the movements of the stock market to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity analysis

The Company has designated its cash as held-for-trading, which is measured at fair value. Accounts receivable, other receivable, due from a related party and long term other receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- (i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by approximately \$6,800 for the three months ended March 31, 2009.
- (ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, accounts receivables, other receivables, due from a related party, long term other receivables and accounts payable and accrued liabilities that are denominated in Chinese RMB. Sensitivity to a plus or minus 5% change in the foreign exchange rates would affect net loss by approximately \$85,000 for the three months ended March 31, 2009.

**5. Accounts Receivable**

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Trade receivables	\$ 75,207	\$ 74,956
Bad debt provision	(31,988)	(32,043)
	\$ 43,219	\$ 42,913

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**6. Long-Term Other Receivable**

	<b>March 31, 2009</b>	<b>December 31, 2008</b>
Loan due from Shengshi Education Service Company ("Shengshi") [i]	\$ 631,600	\$ 632,678
Bad debt provision	(613,089)	(614,136)
	\$ 18,511	\$ 18,542

[i] Shengshi is a non-related business partner of one of the Chinese subsidiaries. The total loan due from Shengshi was RMB 7,630,000 (\$1,118,405) of which RMB 3,970,000 (\$581,923) was non-interest bearing and was due September 2006, RMB 1,320,000 (\$193,486) was bearing 10% interest and was due on June 2006 and RMB 2,340,000 (\$342,997) was bearing 10% interest and was due on August 2006. Of the total loan, RMB 4,551,269 (\$667,125) was collateralized by the shares of the Company owned by Beijing Anli Information and Consulting Company ("Anli") and a shareholder of the Company. In 2006, management determined the collectibility of this loan became uncertain. In light of this uncertainty management set up a provision of RMB3,078,731 (\$451,280) for the portion of the loan that is unsecured and did not accrue the interest income. In 2007, management set up additional provision of RMB235,000 (\$34,446) . As of December 31, 2008, management decided to adjust the receivable to net realizable amount by recording an additional provision of RMB 4,189,769 (\$614,136). As the above noted receivable had been long overdue and the anticipated time of collection is not certain, the Company has classified the receivable as long term other receivable.

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**7. Equipment and Website Development Cost**

	<b>March 31, 2009</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Computer equipment	\$ 441,071	\$ 264,855	\$ 176,216
Office equipment	57,504	49,104	8,400
Motor vehicles	499,901	351,585	148,316
Leasehold improvement	67,213	11,712	55,501
Website development costs	3,048,645	2,201,799	846,846
	\$ 4,114,334	\$ 2,879,055	\$ 1,235,279

	<b>December 31, 2008</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
Computer equipment	\$ 499,653	\$ 251,683	\$ 247,970
Office equipment	55,733	46,675	9,058
Motor vehicles	500,755	329,178	171,577
Leasehold improvement	67,328	8,607	58,721
Website development costs	3,054,447	1,951,452	1,102,995
	\$ 4,177,916	\$ 2,587,595	\$ 1,590,321

The website development was substantially completed in January 2007 and the capitalized amount is amortized over 3 years.

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**8. Related Party Transactions**

All related party transactions are recorded at the exchange amounts as agreed upon by the related parties.

	<b>March 31,</b>		<b>December 31,</b>
	<b>2009</b>		<b>2008</b>
Amount due from Beijing Anli Information and Consulting Company ("Anli"), net of bad debt provision of \$95,057 [i]	\$ 80,701	\$	80,839

[i] Anli and its major shareholder are shareholders of the Company. In 2003, the Company advanced funds of RMB 1,200,000 (\$175,896) to Anli. A loan agreement was signed on October 28, 2003 for a one-year term, non-interest bearing. The loan was extended to October 31, 2008. At December 31, 2008, the loan was not yet been repaid and collateralized by the shares of the Company owned by Anli. The Company made a bad debt provision of RMB648,500 (\$95,057) in total based on the market value of the shares of the Company that held by the Company as the guarantee at December 31, 2008. As the amount due from Anli has been long overdue, the anticipated time of collection is not certain, the Company has classified the amount as non-current item.

During the three months ended March 31, 2009, the Company incurred 16,063 (2008: \$18,844) accounting fees for accounting services provided by a company controlled by an officer of the Company. Included in accounts payable, is an amount of \$4,884 due to the Company controlled by an officer as at March 31, 2009 (December 31, 2008: \$4,371).

The Company rent office space from a company controlled by a director/officer of the Company. The Company paid rent of \$4,285 (2008: \$4,410) for the three months ended March 31, 2009.

The Company paid wage of \$38,679 (2008: \$41,529) to a director of the Company for the three months ended March 31, 2009.

Included in accounts payable, \$61 (December 31, 2008: \$1,699) was payable to the director of the Company relating to the travel expenses reimbursement at March 31, 2009.



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**9. Share Capital, Warrants and Stock Options**

*(a) Share Capital*

The authorized capital consists of unlimited voting common shares without par value and 20,000,000 preferred shares. 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. No preferred shares have been issued to date.

On January 17, 2008, the Company completed a \$2,300,000 private placement consisting of 4.6 million common shares at \$0.49 (C\$0.50) each.

*(b) Options*

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

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price Per Share (USD)</b>	<b>Weighted Average Exercise Price Per Share (CND)</b>
Balance, December 31, 2007	3,624,000	0.71	0.87
Options granted	1,600,000	0.58	0.71
Options cancelled/expired	(1,650,000)	0.77	0.94
Balance, March 31, 2009 and December 31, 2008	3,574,000	0.61	0.76

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**9. Share Capital, Warrants and Stock Options – Continued**

*(b) Options - Continued*

Changes in outstanding stock options were as follows:

On July 28, 2008, the Company granted 450,000 common share purchase options to directors. These options vested immediately and are exercisable at a price of \$0.94 (C\$1.00) per common share expiring July 28, 2013. The Company also granted 500,000 common share purchase options at a price of \$0.57 (C\$0.60) per share exercisable up to July 28, 2013 to employees. All the options vested 25% on the date of grant and 25 % of the options vested every year for 3 years. In the meantime, the Company cancelled 300,000 common share purchase options held by a former employee.

On February 21, 2008, the Company granted 650,000 common share purchase options to directors and employees. These options vested immediately and are exercisable at a price of \$0.57 (C\$0.60) per common share expiring February 21, 2013. The Company also cancelled 100,000 common share purchase options held by a former employee.

The following table summarizes the stock options outstanding at March 31, 2009:

<b>Range of Exercise Prices (USD)</b>	<b>Range of Exercise Prices (CND)</b>	<b>Number Outstanding at March 31, 2009</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Number Exercisable at March 31, 2009</b>
\$ 0.40	\$ 0.50	150,000	1.53	150,000
0.48	0.60	1,470,000	3.90	1,095,000
0.52	0.65	400,000	1.56	400,000
0.56	0.70	100,000	3.58	100,000
0.60	0.75	200,000	0.88	200,000
0.80	1.00	450,000	4.33	450,000
0.84	1.05	804,000	1.48	804,000
<b>\$0.40 - \$0.84</b>	<b>\$0.50 - \$1.05</b>	<b>3,574,000</b>	<b>2.87</b>	<b>3,199,000</b>

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**9. Share Capital, Warrants and Stock Options – Continued**

*(b) Options - Continued*

The following table summarizes the stock options outstanding at December 31, 2008:

Range of Exercise Prices (USD)	Range of Exercise Prices (CND)	Number Outstanding at December 31, 2008	Weighted Average Remaining Contractual Life (Years)	Number Exercisable at December 31, 2008
\$ 0.41	\$ 0.50	150,000	1.78	150,000
0.49	0.60	1,470,000	4.15	1,095,000
0.53	0.65	400,000	1.80	400,000
0.57	0.70	100,000	3.82	100,000
0.61	0.75	200,000	1.13	200,000
0.82	1.00	450,000	4.58	450,000
0.86	1.05	804,000	1.72	804,000
<b>\$0.41 - \$0.86</b>	<b>\$0.50 - \$1.05</b>	<b>3,574,000</b>	<b>3.12</b>	<b>3,199,000</b>

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	<b>2008</b>
Risk free interest rate	3.34% - 3.43%
Expected life of options in years	5 years
Expected volatility	77.00% - 80.58%
Dividend per share	\$0.00

During the three months ended March 31, 2009, the weighted average grant date fair value of options granted during the period was \$nil (2008: \$0.36 (C\$0.36)) and compensation expense of \$11,039 (2008: \$234,881) was recognized for options previously granted and vesting over time using the Black-Scholes option pricing model.

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**9. Share Capital, Warrants and Stock Options – Continued**

*(c) Warrants*

During the three months ended March 31, 2009, the Company did not issue any warrants.

At March 31, 2009, there were no outstanding warrants.

The following table summarized the status of the Company's share purchase warrants outstanding in 2008:

Number of warrants outstanding as at January 1, 2008	Issued during the period	Number of warrants expired/exercised during the period	Balance of warrants outstanding as at December 31, 2008	Exercised price per warrant (CND)	Exercised price per warrant (USD)	Expiry date
457,496	-	457,496	-	\$ 0.72	\$ 0.71	January 17, 2008
42,401	-	42,401	-	1.14	1.13	January 17, 2008
240,750	-	240,750	-	0.80	0.79	October 24, 2008
740,647	-	740,647	-			

[i] Warrants granted on January 17, 2005 which has an expiry date of January 17, 2007 have been extended for another year to January 17, 2008. These warrants were expired on January 17, 2008.

[ii] The exercise price of the warrants granted on October 24, 2007 will be increased to \$0.99 (C\$1.00) if they are not exercised on or before April 24, 2008. These warrants were expired on October 24, 2008.

**10. Segmented Information**

The Company has two reporting business segments, Book Selling and Internet Portal, with two reportable geographic segments located in Canada and China. The business segments have been segregated based on products offerings, reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance. There were no inter-segment sales or transfers during the reported periods.

*(i) Geographic Information*

The Company's head office is located in Vancouver, British Columbia, Canada. The operations of the Company are primarily in two geographic areas: Canada and China. All of the Company's revenue is generated in China. All goodwill and majority of all of the capital assets are located in China. A summary of geographical information for the Company's assets and net loss for the years is as follows:

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**10. Segmented Information - Continued**

<b>Three months ended March 31, 2009</b>	<b>Canada</b>	<b>China</b>	<b>Total</b>
Revenue from external customers	\$ -	\$ 11,472	\$ 11,472
Equipment and website development costs	-	1,235,279	1,235,279
Goodwill	-	3,210,218	3,210,218

<b>Three months ended March 31, 2008</b>	<b>Canada</b>	<b>China</b>	<b>Total</b>
Revenue from external customers	\$ -	\$ 112,615	\$ 112,615
Equipment and website development costs	1,714	2,287,185	2,288,899
Goodwill	-	2,998,875	2,998,875

*(ii) Business Segments*

The Company's operations are classified into two reportable business segments: Book Selling and Internet Portal.

Summarized financial information for the three months ended March 31, 2009 and 2008 concerning the Company's business segments is as follows:

<b>Three months ended March 31, 2009</b>	<b>Book Selling</b>	<b>Internet Portal</b>	<b>Corporate</b>	<b>Total</b>
Revenue from external customers	\$ 7,482	\$ 3,990	\$ -	\$ 11,472
Interest revenue	196	105	160	461
Amortization	22,779	266,104	7,599	296,482
Segment loss	(141,165)	(358,187)	(148,370)	(647,722)
Segment assets	554,918	1,142,773	3,594,531	5,292,222
Expenditure for segment capital assets	-	1,865	-	1,865

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**10. Segmented Information - Continued**

*(ii) Business Segments - Continued*

<b>Three months ended March 31, 2008</b>	<b>Book Selling</b>	<b>Internet Portal</b>	<b>Corporate</b>	<b>Total</b>
Revenue from external customers	\$ 92,457	\$ 20,158	\$ -	\$ 112,615
Interest revenue	415	90	6,955	7,460
Interest expense	-	-	675	675
Amortization of capital assets	56,098	224,391	7,782	288,271
Segment loss	(90,117)	(377,662)	(420,283)	(888,062)
Segment assets	228,177	5,900,391	2,432,700	8,561,268
Expenditure for segment capital assets	-	1,250	-	1,250

**12. Commitments**

The Company has commitments in respect of office and warehouse leases in China requiring the following payments:

2009	\$ 71,338
2010	126,822
2011	127,145
2012	96,167
<b>Total</b>	<b>\$ 421,472</b>

TTTC entered into an agreement with a Chinese government agency to reference its name in the Company's internet training website, whereby the Company agreed to pay RMB1,200,000 (\$175,896) per year until 2009 and RMB500,000 (\$73,290) in 2010. On April 23, 2009, both parties agreed to cancel the agreement and TTTC has to pay RMB280,000 (\$40,972) to the other party before the end of 2009 as the final settlement of any outstanding balance payable.

According to the terms of agreement dated September 30, 2006, the aggregate purchase price for acquiring an additional 13% interest in TTTC was RMB 790,000 (\$115,798). Cash is payable over four years with RMB 200,000 (\$25,263) paid in March 2007, RMB 200,000 (\$29,316) is due on or before December 31, 2007 (unpaid as at November 26, 2008), RMB 200,000 (\$29,316) due on or before December 31, 2008 and RMB190,000 (\$27,850) due on or before December 31, 2009. As at March 31, 2009, \$83,950 has been paid and included in the accounts payable in connection with the above noted purchase price.