CHINA EDUCATION RESOURCES INC.

Management's Discussion and Analysis
For the three months ended March 31, 2011

FORM 51-102F1

March 31, 2011

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 Curriculum Development Center Ltd. (previously known as Yu Cheng Yuan Consulting and Service Ltd.) ("ZYCY"**)** effective from July 1, 2009 (and/or collectively the "Group") and compares the financial results for the three months ended March 31, 2011 with the same period of 2010. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2010, copy of which is filed on the SEDAR website.

The Group prepares its consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances, and these statements are filed with the relevant regulatory authorities in Canada. 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.

DESCRIPTION AND OVERVIEW OF BUSINESS

CER is a corporation organized under the predecessor to the *Business Corporations Act* of British Columbia. CER is public company traded on the TSX Venture Exchange with the trading symbol "CHN" and OTCQX 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, 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"), CER has developed a unique national education portal (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 CERSP.com training program will receive a national level certificate from CDC which is nationally recognized. 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.

In late 2008, the Group launched its comprehensive Education Services Portal ("ESP"). 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 is 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 own account number registered with the platform. Currently, approximately 1,500 schools have applied to join the platform. We have already opened accounts for approximately 500 schools with around 500,000 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 students. Currently, we are the only company providing such comprehensive education resources, services and technology in China. Right now we have around 2,000 online tutoring courses provided from 5,000 teachers. Students have to prepay for the services to TTTC and TTTC pays the net amount to the teachers after deducting our share of revenue.

(c) CD products

CD products are packages with CDs containing tutorial materials that are sold at retail stores. We sell them at a discount price to the wholesalers. The CDs only contain some tutorial materials and if a student has further interest, he/she can go to our website for further pay services and attend our online tutoring. There are many competitors in this area. However, we have the advantage of linking our CD products to other services provided by our ESP.

Currently, the Group's revenues are derived from our interests in TTTC which develops and maintains the CERSP and ESP. Our cash flow and financial condition is dependent on TTTC.

The Group, through TTTC, acquired a 60% interest in Zhong Yu Cheng Yuan Curriculum Development Center Ltd. (previously known as Yu Cheng Yuan Consulting and Service Ltd.) ("ZYCY"**)**, a distributor of education products in China for RMB6,000,000 ($878,460) payable in 2,860,000 shares of common stock of the CER at a deemed value of CND0.35 ($0.30) per share. One-third of the purchase consideration has been paid up front with the balance paid on the first and second anniversary of the closing date, contingent upon YCY generating an annual net profit of RMB2,000,000 ($292,820). No additional shares were released in the three months ended March 31, 2011. 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.

OVERALL PERFORMANCE

Comparative Figures

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

Selected Annual Information

	2010	2009	2008
Total revenue	$ 5,436,165	$ 2,790,137	$ 476,691
Net loss	(615,832)	(2,080,670)	(3,534,628)
Net loss per share	(0.01)	(0.05)	(0.08)
Total assets	7,109,590.00	4,891,929.00	5,980,981.00
Long-term liabilities	32,650	-	-
Cash dividends	-	-	-

The Group's revenue increased significantly in 2010 as compared with 2009 upon the acquisition of the 60% interest in ZYCY in July 2009. Net loss was also decreased materially as revenue increased along with the control of the operating expenses in a reasonable level for 2010.

Results of Operations

For the three months ended March 31, 2011:

For the three months ended March 31, 2011, the Group reported aggregate sales of $2,192,958 (2010: $1,702,788). There was a slightly increase in sales for the current quarter as compared to the sales of the same quarter of previous year. Sales revenue of $426,110 (2010: $283,319) was attributable to revenue derived from teacher training service through the internet portal, with related cost of sales of $7,906 (2010: $36,906) and $1,766,848 (2010: $1,419,469) was from the Company's traditional business, book selling, with related cost of sales of $542,752 (2010: $512,794).

The Company recognized a net profit for the three months ended March 31, 2011 of $443,991 as compared to a loss of $288,767 for the comparable 2010 period. The net profit per share was $0.009 for the three months ended March 31, 2011 as compared to a net loss per share of $0.007 for comparable period ended March 31, 2010 which is primarily attributed by the increase of revenue and decrease of stock based compensation expenses.

The following is a discussion of certain expense categories:

General and administrative expenses

For the three months ended March 31, 2011, general and administrative expenses were $536,498 compared to $321,657 recorded in 2010. As revenue increase, some of the general and administrative expenses were increased accordingly.

Included as part of the general and administrative expenses:

Salaries, wages, commission and benefits increased to $260,030 for the three months ended March 31, 2011 from $137,964 for the comparable 2010 period.

Consulting fees increased to $44,077 for the three months ended March 31, 2011 from $nil for the comparable 2010 period.

Rent expense increased to $46,461 for the three months ended March 31, 2011 from $28,269 for the comparable 2010 period.

Amortization

The amortization decreased to $36,195 for the three months ended March 31, 2011 as compared to $130,756 in the same period of 2010 as the website development cost was fully amortized by the end of January 2010.

Selling expenses

The selling expenses of $280,394 for the three months ended March 31, 2011 increased as compared to $276,301 in the same period of 2010 which was a result of the increase in revenue.

Stock based compensation

During the three months ended March 31, 2011, the Group recorded a non-cash stock based compensation expense of $6,088 (2010: $473,243) for options granted during the period.

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.

	For the Quarters Ended			
	3/31/2011 ($'000)	12/31/2010 ($'000)	9/30/2010 ($'000)	6/30/2010 ($'000)
Revenue	2,193.0	726.6	2,112.6	894.2
Income (Loss) before non-controlling interest	791.1	(461.1)	328.9	(354.4)
Net income (loss) for the period	444.0	(266.2)	332.8	(368.4)
Net income (loss) per share	0.0090	(0.0056)	0.0070	(0.0078)
Total assets	7,647.5	7,109.6	7,894.3	7,056.3
Total liabilities including non-controlling interest	6,289.8	7,005.6	7,548.1	7,037.4

	For the Quarters Ended			
	3/31/2010 ($'000)	12/31/2009 ($'000)	9/30/2009 ($'000)	6/30/2009 ($'000)
Revenue	1,702.8	703	2,022.8	53.3
Income (Loss) before non-controlling interest	(49.2)	(1,325)	429.2	(323.2)
Net income (loss) for the period	(288.8)	(1,148)	38.0	(323.2)
Net income (loss) per share	(0.0070)	(0.0253)	0.0009	(0.0075)
Total assets	6,525.9	4,987.4	6,779.9	4,652.4
Total liabilities including non-controlling interest	6,166.2	5,579.3	6,565.1	4,385.3

The Group generated net income in Q1 of 2011 and Q3 of 2010 with significant increase in revenue. The net loss in Q1 and Q2 of 2010 decreased significantly as revenue went up in the captioned quarters with the operating expenses controlled in a reasonable pace except for non-cash stock based compensation expenses as there were stock options newly granted and the extension of the expiry date of some of the previously granted stock options in the current quarter.

The increase in net loss for Q4 of 2009 was mainly due to the consolidation of the operating expenses of ZYCY and the provision made on the goodwill impairment of $650,000 during the quarter.

The increase in revenue in Q3 of 2009 was due to expansion in the operations in China after the acquisition of ZYCY.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Working capital improved by $783,830 to a negative working capital of $1,389,338 from a negative working capital of $2,173,168 at the beginning of the period, primarily as a result of repayments from related party accounts and the increase in sale of book selling and teacher training for the current period.

On October 15, 2009, the Group issued 2,860,000 shares for completion of the acquisition of ZYCY. One-third of the shares were released to the other party according to the agreement and the balance of the shares of common stock are held in escrow and half of them will be released on the first and second anniversary of the closing date, respectively, contingent upon ZYCY generating an annual net profit of RMB2,000,000 ($292,820).

Cash used in operating activities was $1,595,152 for the three months ended March 31, 2011, compared to $120,962 used for operating activities for the same period in 2010. This significant change was primarily due to the increase of trade and other receivables by $1,089,765 and the decrease in trade and other payables by $796,233.

Cash used in investing activities was $2,572 for the three months ended March 31, 2011, compared to cash provided by investing activities in the amount of $13,915 for the same period in 2010. The cash outflow and inflow for investing activities were related to the purchase and sales of equipment for the respective periods.

Cash provided by financing activities was $1,097,617 for the three months ended March 31, 2011, compared to $318,666 for the same period in 2010. This is primarily due to the repayment of advance to related parties of $1,097,617. The cash inflow for 2010 was provided by the net proceeds of $745,617 from private placement of 1,500,000 common shares at CAD$0.53 ($0.50) per share.

Equipment and website development costs

At March 31, 2011, the Group's net equipment and website development costs were $193,408 as compared to $225,592 as at December 31, 2010. This decrease was the amortization and depreciation of $36,195 for the current period. Website development costs were fully amortized by the end of January 2010.

Liabilities

The Group's total liabilities were $6,289,817 as at March 31, 2011, which is comparable with $6,503,513 at December 31, 2010.

Shareholders' Equity

There was a shareholders' equity of $502,816 at March 31, 2011 as compared to $103,981 at December 31, 2010, which included the net profit of $443,991 for the three months ended March 31, 2011.

Outstanding share data

The Group's common shares outstanding as at June 29, 2011 were 47,364,983.

At June 29, 2011, the Group has outstanding stock options of 3,524,000. Details are as follows:

Exercise Prices (CND)	Number	Expiry Date
$ 0.45	100,000	October 5, 2013
0.60	300,000	August 20, 2012
0.60	650,000	February 21, 2013
0.60	400,000	July 28, 2013
0.60	100,000	October 5, 2013
0.60	200,000	February 3, 2015
0.70	100,000	October 26, 2012
1.00	450,000	July 28, 2013
1.00	300,000	February 3, 2015
1.05	924,000	February 3, 2015
	3,524,000	

At June 29, 2011, there was 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 were recorded at the exchange amounts as agreed upon by the related parties.

		March 31, 2011		**December 31, 2010**		**January 1, 2010**
Amount due from Beijing Anli Information and Consulting Company ("Anli"), net of bad debt provision of $94,960 [i]	$	-	$	48,434	$	80,778
Amount due from a shareholder of the subsidiary company [ii]		734,233		1,731,911		14,647
	$	734,233	$	1,780,345	$	95,425

[i] Anli and its major shareholder are shareholders of the Group. In 2003, the Group 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, 2009, the loan was not yet been repaid and collateralized by the shares of the Group owned by Anli. The Group made a bad debt provision of RMB648,500 ($95,057) in total based on the market value of the shares of the Group that held by the Group as the guarantee at December 31, 2008. No additional provision was recorded as of December 31, 2009 and 2010. The remaining balance was repaid in full during the period ended March 31, 2011.

ii] It represents an advance to a shareholder of ZYCY as non-secured and non-interest bearing short-term loan. Subsequently, $910,320 was received.

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

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:

		Transaction value Three months ended March 31,		Balance outstanding					
Director/ officer	Transaction	2011	2010		March 31, 2011		December 31, 2010		January 1, 2010
C F Zhou	Salary and benefits	$ 47,742	$ 43,843	$	274,028	$	221,899	$	116,516
Danny Hon (i)	Accounting fees	18,264	18,829		86,894		33,624		10,269
		$ 66,006	$ 62,672	$	360,922	$	255,523	$	126,785

(i) The Group engaged a company, which is controlled by Danny Hon, to provide accounting services.

BOARD AND MANAGEMENT CHANGES

The Group does not have any changes on the board and management.

RISK AND UNCERTAINTY FACTORS

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

The Group has incurred a net profit of $443,991 (2010: $288,767) for the three months ended March 31, 2011 and has incurred a cumulative loss of $31,456,849 since inception. The Group's future business plan includes the further development and operation of CER's education service portal and sino-foreign co-operation to develop English as a second language training program in China and Chinese Mandarin training program in U.S. 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. Additionally, continued collaboration with the CDC is important to the Group being able to sell and deliver the teacher training programs. 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.

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, trade and other 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 and accounts receivables. The Group has no significant concentration of credit risk arising from operations. Other receivables mainly consist of an advance to a third party for project development, as well as 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.

(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 March 31, 2011, the Group had a negative working capital of $1,389,338 (December 31, 2010: $2,173,168). 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 and cash equivalents. The Group has no interest-bearing debt. 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

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 Group's assets, liabilities, revenues and expenses are denominated in Chinese Renminbi ("RMB"), which was tied to the U.S. 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 U.S. dollar would result in an increase in the assets, liabilities, revenues and expenses of the Group 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 Group and a foreign currency loss included in comprehensive income.

The Group's functional currency is the Canadian dollar and RMB, respectively, and major transactions are transacted in Canadian dollars and RMB. The Group 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.

(ii) Foreign currency exchange rate risk

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements for the year ending December 31, 2011 will be the Company's first set of annual financial statements that comply with IFRS, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its December 31, 2011 annual financial statements. For the current interim period, the Company has only complied with the requirements of IAS 34.

The accounting policies set out in note 3 of the notes to the financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011, the comparative information presented in these financial statements for the three months ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (the Company's date of transition).

Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9 "Financial Instruments – Classification and Measurement"

As of January 1, 2013, the Group will be required to adopt IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

On May 12, 2011, IFRS 12 – "*Disclosure of Interests in Other Entities*" was released and will be effective January 1, 2013 for the Company. The Company is currently evaluating the impact of adopting this pronouncement will have on the financial statements.

IFRS 13 "Fair Value Measurement"

On May 12, 2011, IFRS 13 - "*Fair Value Measurement*" was released and will be effective January 1, 2013 for the Company. The Company is currently evaluating the impact of adopting this pronouncement will have on the financial statements.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2013 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

DISCLOSURE CONTROLS AND PROCEDURES

The internal controls and procedures of the Group have problems similar to many small venture companies. The size and location of the Group's offices makes the maintenance of desirable internal controls difficult. The Group regularly reviews its disclosure and procedures; however, it cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud. Given the size of the Group and the number of staff, the Group does not have the resources to monitor and maintain in-depth and up-to-date understanding of all changes to financial and regulatory reporting.

Due to the limited number of staff, it is not possible to achieve segregation of duties, nor does the Group currently maintain written policies and procedures at its international offices. Similarly, the Group must engage accounting assistance with respect to complex, non-routine accounting issues, Canadian GAAP matters, tax compliance and reporting for its international operations. Notwithstanding these weaknesses, the Group's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations. Although the identified weaknesses may be considered to increase the risk that a material misstatement in the Group's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements. At the present time, the Group has no plans to increase the size of its staff, however, the CEO and the CFO oversee all material transactions and related accounting records and the audit committee of the Group reviews with management on a quarterly basis the financial statements of the Group. While management and the board of directors of the Group work to mitigate the risk of a material misstatement in the Group's financing reporting, the Group's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

No material changes in the Group's internal control over financial reporting were identified by management during the most recent interim period.

OUTLOOK

The Group's objective is to become one of the leading educational service providers in China. The Group has implemented a four step growth and revenue strategy which is now being commercialized in Gansu Province and is using the Gansu program as a model for expansion national wide.

The first step of the strategy involves working with various levels of government to deliver government-funded online teacher training programs. The Group developed 25 online teacher training courses for the continuous education of the teachers and the teachers can obtain government certificates upon successful completion any of these courses. In addition to the 25 teacher training courses, the Group recently developed another 56 new teacher training courses. The Group also obtained the rights to use 97 teacher training courses developed by others for provincial teacher training programs and has to pay a royalty to the course developers for the use of these courses. The Group also developed 80,000 K-12 online lesson plans and is continuing to develop new educational content and upgrade the technology and functions of its portal. More than 300,000 teachers were trained in the Group's teacher training programs. The CER is the only public company endorsed by China's Ministry of Education ("MOE") for the national level online teacher training programs. The Group has made agreements with fourteen provinces and Chongqing, to deliver province-wide teacher training.

The second step of the strategy involves integrating the Company's products and services into teachers' daily routine. This will allow teachers to interact and communicate with each other. These products include online teacher training, professional development and sharing of lesson plans. The CERSP portal has built up one of the largest and most popular K-12 teacher blog system in China with more than one million K-12 teachers registered. The CERSP portal has developed into a national brand and has a reputation for offering leading edge in-class and online learning products and services. The first two steps are well underway in Gansu Province and have expanded into other provinces with sales growth rapidly.

The third step is the promotion of our Education Services Platform ("ESP") targeted primarily at teachers. Each school will pay a subscription fee for this unique product. Liaoning Province has endorsed CERSP portal to provide the teacher training and services programs, which will be administered using CER's School Platform. These programs are ongoing programs requiring teachers to achieve continuing training credits during their careers. Liaoning Province has 9,000 schools with 294,961 teachers instructing 4.5 million students. The Provincial Education Commission selected five cities, representing approximately 104.490 teachers and 1.6 million students, having started the program in March 2011. These five cities each selected 800 teachers, for a total 4,000 teachers, to participate in the initial program.

The program is a milestone achievement for our company. Liaoning Province offers an incredible opportunity for CER to participate in China's education initiative. CER has built a powerful infrastructure to provide efficient and dynamic on-line training in support of the initiative.

The fourth step is the ESP that targets at the student area offering a number of products and services including our collection of online tutoring courses which is one of the largest in China, customized education resources, formative assessment tools and education games. Students and parents have to pay a subscription fee for this platform. A few provinces have started the discussion with CER for the program and requested CER to start the program in late 2011.

Our contacts with over 200 education authorities in various provinces in China further strengthen our confidence in the successful commercialization of our leading edge products and services. Our four-step growth plan has now been expanded to fourteen provinces throughout China. As our comprehensive training resource portal gains traction throughout the educational system, we anticipate achieving similar endorsements as we achieved in the Liaoning Province. With the successful first quarter of 2011 result, we expect the sales will continue to grow significantly in rest of 2011.