China Education Resources Inc.

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

Period Ended June 30, 2018
(Unaudited)

Management’s Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of China Education Resources Inc. were prepared by management in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed 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 condensed 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 condensed interim consolidated financial statements and (ii) the unaudited condensed 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 condensed consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed 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 condensed 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 condensed 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 condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed 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 condensed interim consolidated financial statements.

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Financial Position
June 30, 2018 and December 31, 2017

(Expressed in U.S. Dollars)

AS AT	Note		**June 30, 2018** (Unaudited)		**December 31, 2017** (Audited)
Assets					
Current assets					
Cash and cash equivalents		$	1,027,171	$	2,864,633
Short-term investment	7		154,092		-
Accounts and other receivables (net of allowance for doubtful accounts of $142,528, December 31, 2017: $145,019)	8		9,626,735		6,031,319
Prepaid expenses and deposits			991,585		87,250
Total current assets			11,799,583		8,983,202
Non-current assets					
Equipment	9		105,023		118,441
Total non-current assets			105,023		118,441
Total assets		$	11,904,606	$	9,101,643
Liabilities					
Current liabilities					
Trade and other payables	13	$	5,459,593	$	4,512,268
Deferred revenue			14,367		184,284
Taxes payable	14		775,697		926,926
Loans payable	15		1,287,939		504,872
Bank loan	16		302,100		461,070
Loans payable - related parties	21		333,009		335,747
Due to related parties	21		1,732,977		1,726,411
Total current liabilities			9,905,682		8,651,578
Shareholders' Deficiency					
Share capital	10		29,455,512		29,455,512
Contributed surplus			2,715,387		2,714,918
Accumulated other comprehensive income			875,885		858,323
Deficit			(32,146,236)		(33,392,184)
Total shareholders' deficiency attributable to shareholders' of the Company			900,548		(363,431)
Non-controlling interest			1,098,376		813,496
Total Equity			1,998,924		450,065
Total liabilities and shareholders' deficiency		$	11,904,606	$	9,101,643

Approved by the Board:

"Chengfeng Zhou"
Director

"Danny Hon"
Director

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

CHINA EDUCATION RESOURCES INC.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

For the three months and six months ended June 30, 2018 and 2017

(Unaudited)

(Expressed in U.S. Dollars)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue					
Book sales and distribution services		$ 3,471,840	$ 3,038,678	$ 4,440,031	$ 4,181,434
Online products		1,889,118	2,350,652	3,672,076	3,995,347
		5,360,958	5,389,330	8,112,107	8,176,781
Cost of sales					
Book sales and distribution services		(2,058,267)	(1,611,704)	(2,557,501)	(2,106,775)
Online products		(565,634)	(763,633)	(1,209,796)	(1,310,268)
Gross profit		2,737,057	3,013,993	4,344,810	4,759,738
Depreciation		(9,738)	(8,784)	(19,360)	(16,116)
General and administrative	17	(357,477)	(449,452)	(818,836)	(759,297)
Selling commission, marketing and copyrights		(870,150)	(1,205,562)	(1,845,267)	(2,269,418)
Other expense		-	(846)	(56,106)	(1,001)
Other income		-	1,554	-	7,130
Operating profit		1,499,692	1,350,903	1,605,241	1,721,036
Finance income		9,886	5,516	22,861	13,483
Finance costs		(30,530)	(31,201)	(68,386)	(56,423)
Net finance costs		(20,644)	(25,685)	(45,525)	(42,940)
Net income before income taxes		1,479,048	1,325,218	1,559,716	1,678,096
Income taxes		(344)	(96,067)	(344)	(96,067)
Net income for the period		$ 1,478,704	$ 1,229,151	$ 1,559,372	$ 1,582,029
Other comprehensive income (loss) for the period, net of income taxes					
Change in fair value of marketable securities		-	-	-	(60,388)
Unrealized exchange gain on translation of foreign operations		(177,731)	(6,004)	(10,982)	(5,096)
Other comprehensive income (loss) for the period, net of income tax		(177,731)	(6,004)	(10,982)	(65,484)
Compreshensive income for the period		$ 1,300,973	$ 1,223,147	$ 1,548,390	$ 1,516,545
Net income attributable to:					
Shareholders of the Company		$ 1,084,786	$ 929,851	$ 1,245,948	$ 1,268,805
Non-controlling interest	22	393,918	299,300	313,424	313,224
Net income for the period		$ 1,478,704	$ 1,229,151	$ 1,559,372	$ 1,582,029
Comprehensive income attributable to:					
Shareholders of the Company		$ 968,133	$ 905,058	$ 1,263,510	$ 1,199,775
Non-controlling interest		332,840	318,089	284,880	316,770
Comprehensive income for the period		$ 1,300,973	$ 1,223,147	$ 1,548,390	$ 1,516,545
Earnings per share					
Basic earnings per share	11	$ 0.02	$ 0.02	$ 0.03	$ 0.03
Diluted earnings per share	11	$ 0.02	$ 0.02	$ 0.03	$ 0.03
Weighted average number of common shares used to calculate basic earnings per share		47,364,983	47,364,983	47,364,983	47,364,983
Weighted average number of common shares used to calculate diluted earnings per share		47,364,983	48,139,728	47,364,983	48,303,893

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

CHINA EDUCATION RESOURCES INC.

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and the year ended December 31, 2017

(Unaudited)

	Attributable to equity holders of the Company							
(Expressed in U.S. Dollars)	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Accumulative Other Comprehensive Income Account**	**Deficit**	**Total**	**Non-Controlling Interest**	**Total Equity (Deficiency)**
Balance December 31, 2016	47,364,983	$ 29,455,512	$ 2,624,782	$ 875,723	$ (34,749,941)	$ (1,793,924)	$ 728,637	$ (1,065,287)
Net income for the six months ended June 30, 2017	-	-	-	-	1,268,805	1,268,805	313,224	1,582,029
Changes in fair market value of marketable securities	-	-	-	(36,233)	-	(36,233)	(24,155)	(60,388)
Foreign currency translation differences	-	-	-	(32,797)	-	(32,797)	27,701	(5,096)
Stock-based compensation	-	-	86,949	-	-	86,949	-	86,949
Balance June 30, 2017	47,364,983	29,455,512	2,711,731	806,693	(33,481,136)	(507,200)	1,045,407	538,207
Net income for the six months ended December 31, 2017	-	-	-	-	88,952	88,952	(267,972)	(179,020)
Changes in fair market value of marketable securities	-	-	-	36,233	-	36,233	24,155	60,388
Foreign currency translation differences	-	-	-	15,397	-	15,397	11,906	27,303
Stock-based compensation	-	-	3,187	-	-	3,187	-	3,187
Balance December 31, 2017	47,364,983	29,455,512	2,714,918	858,323	(33,392,184)	(363,431)	813,496	450,065
Net income for the six months ended June 30, 2018	-	-	-	-	1,245,948	1,245,948	313,424	1,559,372
Foreign currency translation differences	-	-	-	17,562	-	17,562	(28,544)	(10,982)
Stock-based compensation	-	-	469	-	-	469	-	469
Balance June 30, 2018	47,364,983	$ 29,455,512	$ 2,715,387	$ 875,885	$ (32,146,236)	$ 900,548	$ 1,098,376	$ 1,998,924
					-			

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

CHINA EDUCATION RESOURCES INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three months and six months ended June 30, 2018 and 2017

(Unaudited)

(Expressed in U.S. Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash flows from operating activities				
Income for the period	$ 1,478,704	$ 1,229,151	$ 1,559,372	$ 1,582,029
Adjustments for:				
Depreciation	9,738	8,784	19,360	16,116
Share-based payment	233	86,529	469	86,949
Changes in accounts and other receivable	(3,583,583)	(4,066,194)	(3,844,997)	(6,130,052)
Changes in prepaid expenses and deposits	(701,521)	(341,499)	(942,312)	(318,472)
Changes in trade and other payables	1,919,772	2,056,139	1,064,308	1,212,154
Changes in taxes payable	(10,907)	115,711	(6,936)	91,294
Changes in deferred revenue	(69,508)	(1,696)	(173,334)	(280,290)
	(957,073)	(913,075)	(2,324,070)	(3,740,272)
Interest paid	(6,797)	(4,213)	(13,392)	(8,318)
Taxes paid	(71,404)	(104,519)	(91,317)	(199,963)
Net cash used in operating activities	(1,035,274)	(1,021,807)	(2,428,779)	(3,948,553)
Cash flows from investing activities				
Acquisition to Equipment	(1,450)	-	(7,529)	(22,999)
Short-term investment	156,839	-	(160,172)	-
Net cash provided by (used in) investing activities	155,390	-	(167,700)	(22,999)
Cash flows from financing activities				
Bank loan	(157,010)	-	(157,010)	-
Loan (paid to) received from third parties	21,169	24,728	836,372	478,095
Loan (paid to) received from related parties	6,739	6,531	13,546	5,480
Advance from related parties	70,674	70,299	90,917	104,754
Net cash provided by (used in) financing activities	(58,428)	101,559	783,825	588,330
Net decrease in cash	(938,312)	(920,248)	(1,812,655)	(3,383,222)
Cash, beginning of the period	2,075,848	1,401,326	2,864,633	3,844,356
Effect of exchange rate fluctuations on cash held	(110,365)	15,069	(24,807)	35,013
Cash, end of the period	$ 1,027,171	$ 496,147	$ 1,027,171	$ 496,147

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

1. Reporting Entity

China Education Resources Inc. ("the Company") is a company domiciled in Canada. The address of the Company's registered office is Suite 300, 515 West Pender Street, Vancouver, B.C., V6B 6H5. The condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group provides an education internet portal with educational content, resources and training programs to users in People's Republic of China ("China") and distributes educational textbooks and materials developed by the Group to bookstores and schools in China.

2. Going Concern

As at June 30, 2018, the Group had net working capital of $1,893,901 (December 31, 2017: $331,624), negative cash flow from operating activities of $2,428,779 (December 31, 2017: $1,434,163) and an accumulated deficit of $32,146,236 since inception. The appropriateness of using the going concern basis is dependent upon, among other things, the continuing growth of the Company's revenue to achieve a profitable level of operations by the Group. The outcome of these matters cannot be predicted at this time. Specifically, it is dependent upon the ability of the Group to obtain necessary financing.

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

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

3. Basis of Preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2017.

3. Basis of Preparation - Continued

(a) Statement of compliance - Continued

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of June 30, 2018. These financial statements were authorized to issue by the audit committee and Board of Directors of the Company on August 28, 2018. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these condensed interim consolidated financial statements.

(b) Basis of preparation

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

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

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

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

		Ownership interest	
Name of subsidiary	**Country of incorporation**	**March 31, 2018**	**December 31, 2017**
CEN China Education Network Ltd. ("CEN Network")	Canada	100%	100%
China Education International Inc. (inactive)	BVI	100%	100%
CEN China Education Overseas Corporation (inactive)	BVI	100%	100%
CEN Smart Networks Ltd. ("CEN Smart")	China	100%	100%
Today's Teachers Technology & Culture Ltd. ("TTTC")	China	100%	100%
The Winning Edge Ltd. ("TWE") (inactive)	China	100%	100%
Zhong Yu Cheng Yuan Education Technology Ltd. ("ZYCY")	China	60%	60%

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

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

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

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

Areas of assumptions and estimates

(i) Allowance for doubtful accounts

The Group extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by actively pursuing past due accounts. As at June 30, 2018, allowance for doubtful accounts is $142,528 (December 31, 2017 - $145,019) based on management's assessment of credit history with the customers and current relationships with them.

(ii) Deferred taxes

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

(iii) Share-based payments

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

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

(iv) Income Tax

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

(v) Going concern

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the period ended June 30, 2018. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there is a significant doubt as to the ability of the Group to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

4. Significant Accounting Policies

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at December 31, 2017. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

5. New standards and interpretations adopted during the period

IFRS 9 Financial instruments ("IFRS 9")

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities, and there was also no impact to the carrying value of any of the Company's financial assets or liabilities on the date of transition.

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

On January 1, 2018, the Company adopted IFRS 15, which deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. Adoption of the standard did not have any material impact on the financial statements of the Company.

(Expressed in U.S. Dollars)

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

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

IFRS 16 Leases ("IFRS 16")

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

7. Short-term investment

As at June 30, 2018, the company, through its subsidiary TTTC, arranged a short-term investment from a local bank in China of RMB1,000,000 ($151,050) and interest receivable of RMB20,137 ($3,042). The investment bearing variable interest rates at a range from 3.2% to 4.9% per annum, depending on the duration of the investment.

8. Accounts and Other Receivable

	June 30, 2018	December 31, 2017
Trade receivables	$ 9,244,430	$ 5,877,287
Other receivables	382,305	154,032
	$ 9,626,735	$ 6,031,319

As at June 30, 2018, the Group's aging analysis of trade receivables is as follows:

		Past due but not impaired			
Total	Neither past due nor impaired	< 30 days	30 - 90 days	91 - 120 days	> 120 days
$ 9,244,430	$ 7,487,087	$ 2,227	$ 1,672,925	$ -	$ 82,191

(Expressed in U.S. Dollars)

9. Plant and Equipment

	Computer equipment	Office equipment	Motor vehicles	Total
Cost				
Balance, at January 1, 2017	$ 169,809	$ 19,724	$ 366,623	$ 556,156
Additions	5,594	6,082	40,560	52,236
Disposals	(23,900)	-	(15,420)	(39,320)
Effect of movements in exchange rates	11,047	1,600	26,347	38,994
Balance, at December 31, 2017	$ 162,550	$ 27,406	$ 418,110	$ 608,066
Balance, at January 1, 2018	$ 162,550	$ 27,406	$ 418,110	$ 608,066
Additions	4,979	2,549	-	7,529
Disposals	-			-
Effect of movements in exchange rates	(2,981)	(566)	(7,182)	(10,730)
Balance, at June 30, 2018	$ 164,548	$ 29,389	$ 410,928	$ 604,865

	Computer equipment	Office equipment	Motor vehicles	Total
Accumulated depreciation				
Balance, at January 1, 2017	$ 136,105	$ 18,924	$ 303,422	$ 458,451
Depreciation for the year	14,060	990	19,830	34,880
Disposals	(19,795)	-	(15,420)	(35,215)
Effect of movements in exchange rates	1,532	(609)	30,586	31,509
Balance, at December 31, 2017	$ 131,902	$ 19,305	$ 338,418	$ 489,625
Balance, at January 1, 2018	$ 131,902	$ 19,305	$ 338,418	$ 489,625
Depreciation for the period	6,858	1,131	11,372	19,360
Disposals	-	-	-	-
Effect of movements in exchange rates	3,503	202	(12,849)	(9,143)
Balance, at June 30, 2018	$ 142,263	$ 20,638	$ 336,941	$ 499,842
Carrying amounts				
At December 31, 2017	$ 30,648	$ 8,101	$ 79,692	$ 118,441
At June 30, 2018	$ 22,285	$ 8,751	$ 73,987	$ 105,023

10. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the period ended June 30, 2018 and year ended December 31, 2017.

Common shares and preferred shares

At June 30, 2018, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares. No preferred shares have been issued to date.

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

Accumulated other comprehensive income ("AOCI")

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

11. Earnings (Loss) Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the three-month period ended June 30, 2018 was based on the net income attributable to shareholders of the Group in the amount of $1,084,786 (2017: $929,851), and a weighted average number of common shares outstanding of 47,364,983 (2017: 47,364,983).

The calculation of basic earnings per share for the six-month period ended June 30, 2018 was based on the net income attributable to shareholders of the Group in the amount of $1,245,948 (2017: $1,268,805), and a weighted average number of common shares outstanding of 47,364,983 (2017: 47,364,983).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three-month period ended June 30, 2018 was based on the net income attributable to shareholders of the Group in the amount of $1,084,786 (2017: $929,851), and a weighted average number of common shares outstanding of 47,364,983 (2017: 48,139,728).

The calculation of diluted earnings per share for the six-month period ended June 30, 2018 was based on the net income attributable to shareholders of the Group in the amount of $1,245,948 (2017: $1,268,805), and a weighted average number of common shares outstanding of 47,364,983 (2017: 48,303,893).

(Expressed in U.S. Dollars)

12. Share Purchase Options and Warrants

(a) Stock options

At June 30, 2018, the Group has the following share-based payment arrangements:

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

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

	Number of Shares	Weighted Average Exercise Price Per Share (CND)
Balance, December 31, 2016	3,700,000	0.18
Expired during the year	(1,000,000)	0.40
Granted during the year	1,000,000	0.14
Balance, December 31, 2017 and June 30, 2018	3,700,000	0.11

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

On May 29, 2017, the Group granted incentive stock options of 1,000,000 shares at CND$0.14 per share expiring on May 29, 2022 which exceeds the market price at the grant date to directors and consultant. The stock options are vested immediately. The total fair value of the stock options granted was CND$114,913 ($86,115). The grant date fair value of share-based payment plans was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.95% per annum, expected volatility: 141.16%, dividend yield: $nil and forfeiture rate: 7%. Total share-based payment for the period ended June 30, 2018 was $469. The amount has been included in general and administrative expenses.

(Expressed in U.S. Dollars)

12. Share Purchase Options and Warrants - Continued

(a) Stock options - Continued

The options outstanding at June 30, 2018 have an exercise price in the range of CND$0.10 to CND$0.14 (December 31, 2017: in the range of CND$0.10 to CND$0.14) and a weighted average contractual life of 2.82 years (December 31, 2017: 3.31 years).

There are 3,540,000 options exercisable at June 30, 2018 (December 31, 2017: 3,540,000), which have an exercise price of in the range of CND$0.10 to CND$0.14 (December 31, 2017: in the range of CND$0.10 to CND$0.14) and a weighted average contractual life of 2.83 years (December 31, 2017: 3.34 years).

(b) Share purchase warrants

At June 30, 2018 and December 31, 2017, there was no outstanding warrant.

13. Trade and Other Payables

		June 30, 2018		December 31, 2017
Trade payables	$	3,387,951	$	2,317,491
Other payables		1,587,714		1,661,170
Non-trade payables and accrued expenses		483,928		533,607
	$	5,459,593	$	4,512,268

14. Taxes payable

		June 30, 2018		December 31, 2017
Income tax payable	$	348,464	$	546,428
Other tax payable		427,233		380,498
	$	775,697	$	926,926

(Expressed in U.S. Dollars)

15. Loans Payable

Terms and conditions of outstanding loans as at June 30, 2018 and December 31, 2017 from unrelated individuals are summarized as follows:

	June 30, 2018					
	Principal				Interest payable	
	RMB	U.S. dollars equivalent	Annual interest rate	Due date	RMB	U.S. dollars equivalent
Unsecured loan (1)	3,360,000	507,528	0%	September 24, 2018	-	-
Unsecured loan (2)	1,000,000	151,050	10%	December 31, 2018	40,000	6,042
Unsecured loan (3)	1,000,000	151,050	10%	December 31, 2018	43,836	6,621
Unsecured loan (4)	1,000,000	151,050	10%	December 31, 2018	39,726	6,001
Unsecured loan (5)	1,000,000	151,050	10%	December 31, 2018	43,014	6,497
Unsecured loan (6)	1,000,000	151,050	0%	December 31, 2018	-	-
	8,360,000	1,262,778			166,576	25,161

Loan payable	1,262,778
Interest payable	25,161
Total	$ 1,287,939

	December 31, 2017			
	RMB	U.S. dollars equivalent	Annual interest rate	Due date
Unsecured loan (1)	3,285,000	504,872	0%	June 24, 2018

(1) The loan will mature on September 24, 2018 and as at June 30, 2018, there was no interest accrued in relation to this loan.

(2) The loan will mature on December 31, 2018 and as at June 30, 2018, there was interest accrued of $6,042 in relation to this loan.

15. Loans Payable – Continued

(3) The loan will mature on December 31, 2018 and as at June 30, 2018, there was interest accrued of $6,621 in relation to this loan.

(4) The loan will mature on December 31, 2018 and as at June 30, 2018, there was interest accrued of $6,001 in relation to this loan.

(5) The loan will mature on December 31, 2018 and as at June 30, 2018, there was interest accrued of $6,497 in relation to this loan.

(6) The loan will mature on December 31, 2018 and as at June 30, 2018, there was no interest accrued in relation to this loan.

16. Bank Loan

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

As of June 30, 2018, the outstanding loan amount was RMB2,000,000 ($302,100) with interest paid of RMB85,296 ($13,392) during the period ended June 30, 2018.

(Expressed in U.S. Dollars)

17. General and Administrative Expenses

The breakdown of Group's general and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Accounting and audit	$ 52,636	$ 67,982	$ 92,171	$ 101,983
Administrative and office	(2,627)	11,205	16,023	19,849
Consulting	39,568	33,891	75,624	68,345
Filing and listing	6,022	9,108	9,599	15,258
Investor relations	689	1,739	6,952	1,742
Legal and professional	1,542	2,649	8,758	4,098
Meals and entertainment	1,961	2,558	9,238	5,059
Miscellaneous	8,179	6,438	15,956	(54,228)
Registrar & transfer agent fees	479	519	1,385	1,980
Rent	46,196	40,729	92,385	81,381
Salaries, wages, commission & benefits	130,595	173,048	311,973	386,355
Stock based compensation	233	86,529	469	86,949
Technology development	61,613	-	144,561	-
Travel	10,391	13,056	33,742	40,526
	$ 357,477	$ 449,452	$ 818,836	$ 759,297

18. Determination of Fair Values

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

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

(Expressed in U.S. Dollars)

19. Financial Risk Management

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

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

(a) Credit risk

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

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

	Carrying amount	
	June 30, 2018	December 31, 2017
Accounts and other receivables	$ 9,626,735	$ 6,031,319
Cash and cash equivalents	1,027,171	2,864,633
Short-term investment	154,092	-
	$ 10,807,998	$ 8,895,952

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

	Carrying amount	
	June 30, 2018	December 31, 2017
China	$ 9,244,430	$ 5,877,287

19. Financial Risk Management - Continued

(a) Credit risk - continued

100% of the Group's revenue for the period ended June 30, 2018 and 2017 was derived from customers located in China. Three (December 31, 2017: two) customers represent in excess of 10% of accounts receivable at June 30, 2018. Three (2017: two) customers represent in excess of 10% of total revenue for the period ended June 30, 2018. The Group's most significant customers accounted for $3,032,058 of receivables carrying amount at June 30, 2018 (December 31, 2017: $2,453,687).

(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 June 30, 2018, the Group had a net working capital of $1,893,901 (December 31, 2017: $331,624). 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 June 30, 2018, 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.

19. Financial Risk Management - Continued

(d) Fair values

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

> Level 1 - fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.
>
> Level 2 - fair value measurements are derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability directly or indirectly.
>
> Level 3 - fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at June 30, 2018, the Group recognizes cash and cash equivalents at fair value which is considered a level 1 fair value measurement.

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

(e) Capital management

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

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

(Expressed in U.S. Dollars)

19. Financial Risk Management - Continued

(e) Capital management - continued

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

	June 30, 2018	December 31, 2017
Total liabilities	$ 9,905,682	$ 8,651,578
Less: cash in the bank	(1,027,171)	(2,864,633)
Less: short-term investment	(154,092)	-
Net debt	$ 8,724,419	$ 5,786,945
Total equity	$ 1,998,924	$ 450,065
Debt to capital ratio	4.36	12.86

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

There were no changes in the Group's approach to capital management during the period ended June 30, 2018 and year ended December 31, 2017. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

20. Operating Segments

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

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

(Expressed in U.S. Dollars)

20. Operating Segments - Continued

Geographical segments

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

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

Three-month period ended June 30, 2018	**Canada**	**China**	**Total**
Revenue from external customers	$ -	$ 5,360,958	$ 5,360,958
Plant and equipment	-	105,023	105,023

Six-month period ended June 30, 2018	**Canada**	**China**	**Total**
Revenue from external customers	$ -	$ 8,112,107	$ 8,112,107
Plant and equipment	-	105,023	105,023

Three-month period ended June 30, 2017	**Canada**	**China**	**Total**
Revenue from external customers	$ -	$ 5,389,330	$ 5,389,330
Plant and equipment	-	125,798	125,798

Six-month period ended June 30, 2017	**Canada**	**China**	**Total**
Revenue from external customers	$ -	$ 8,176,781	$ 8,176,781
Plant and equipment	-	125,798	125,798

21. Related Parties Transactions

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

(Expressed in U.S. Dollars)

21. Related Parties Transactions - Continued

Key management personnel and director transactions

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

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

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:

		Three-month period ended June 30,		Six-month period ended June 30,	
Director/Officer	**Transaction**	**2018**	**2017**	**2018**	**2017**
C F Zhou (director and CEO)	Consulting fees (i)	$ 35,678	$ 35,114	$ 71,356	$ 70,228
C F Zhou (director and CEO)	Interest expense (ii)	4,761	4,685	9,469	9,319
Danny Hon (director and CFO)	Accounting fees (iii)	21,908	20,076	37,556	35,477
Danny Hon (director and CFO)	Interest expense (iv)	2,050	2,017	4,077	4,013
		$ 64,397	$ 61,892	$ 122,458	$ 119,037

Director/Officer	**Balance**	**June 30, 2018**	**December 31, 2017**
C F Zhou (director and CEO)	Consulting fees payable (i)	$ 1,213,036	$ 1,208,549
C F Zhou (director and CEO)	Loan payable (ii)	123,557	129,693
C F Zhou (director and CEO)	Loan interest payable (ii)	101,880	97,294
Danny Hon (director and CFO)	Accounting fees payable (iii)	519,941	517,862
Danny Hon (director and CFO)	Loan payable (iv)	53,199	55,841
Danny Hon (director and CFO)	Loan interest payable (iv)	54,373	52,919
		$ 2,065,986	$ 2,062,158

(i) The consulting fees owing to C F Zhou as at June 30, 2018 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 June 30, 2018, there was an interest payable balance of $101,880 (December 31, 2017: $97,294) owed to C F Zhou.

(iii) The Company engaged a company, which is controlled by Danny Hon, to provide accounting services. The balance owing to this company controlled by Danny Hon as at June 30, 2018 is unsecured, due on demand and bears no interest.

(Expressed in U.S. Dollars)

21. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

(iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at June 30, 2018, there was an interest payable balance of $54,373 (December 31, 2017: $52,919) owed to Danny Hon.

22. Non-controlling interests

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

Name	Principal place of business/Country of incorporation	Operating segment	Ownership interests held by NCI June 30, 2018	December 31, 2017
ZYCY	China	Textbook sales	40%	40%

The following is summarized financial information for ZYCY, prepared in accordance with IFRS.

The information is before inter-company eliminations with other companies in the Group.

Amount in USD	Three-month period ended June 30, 2018	2017	Six-month period ended June 30, 2018	2017
Revenue	$ 4,036,316	$ 3,814,191	$ 5,743,018	$ 5,673,973
Net income	984,795	748,251	783,560	783,061
Net income attributable to NCI	393,918	299,300	313,424	313,224
Other comprehensive income (loss)	(152,698)	107,360	(71,361)	69,252
Total comprehensive income	832,097	855,611	712,199	852,313
Total comprehensive income attributable to NCI	$ 332,839	$ 342,244	$ 284,880	$ 340,925

(Expressed in U.S. Dollars)

22. Non-controlling interests – Continued

Amount in USD	June 30, 2018	December 31, 2017
Current assets	$ 8,314,397	$ 5,948,702
Non-current assets	36,501	42,265
Current liabilities	(5,124,186)	(3,476,453)
Non-current liabilities	-	-
Net assets	$ 3,226,712	$ 2,514,514

	Three-month period ended June 30,		Six-month period ended June 30,	
Amount in USD	2018	2017	2018	2017
Cash flow used in operating activities	$ (1,438,129)	$ (414,001)	$ (1,889,032)	$ (2,653,167)
Cash flow used in investing activities	(1,458)	-	(1,875)	-
Cash flow from financing activities	14,391	11,792	811,204	452,463
Net decrease in cash and cash equivalents	$ (1,425,196)	$ (402,209)	$ (1,079,703)	$ (2,200,704)
Dividend paid to NCI during the period	$ -	$ -	$ -	$ -