China Education Resources Inc.

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

Period Ended September 30, 2019
(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
September 30, 2019 and December 31, 2018

(Expressed in U.S. Dollars)

AS AT	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
Current assets			
Cash and cash equivalents		$ 1,477,370	$ 3,382,267
Accounts and other receivables (net of allowance for doubtful accounts of $125,919, December 31, 2018: $130,836)	6	6,528,257	4,146,847
Prepaid expenses and deposits		230,661	172,290
Total current assets		8,236,288	7,701,404
Non-current assets			
Equipment	7	61,781	86,823
Total non-current assets		61,781	86,823
Total assets		$ 8,298,069	$ 7,788,227
Liabilities			
Current liabilities			
Trade and other payables	10	$ 3,128,951	$ 3,931,256
Deferred revenue		8,194	34,733
Taxes payable	11	623,684	691,326
Loans payable	12	1,348,127	779,258
Bank loan	13	210,146	-
Loans payable - related parties	18	364,131	334,340
Due to related parties	18	1,964,847	1,755,716
Total current liabilities		7,648,080	7,526,629
Shareholders' Deficiency			
Share capital	8	29,455,512	29,455,512
Contributed surplus		2,716,089	2,715,799
Accumulated other comprehensive income		761,422	929,454
Deficit		(33,166,439)	(33,543,882)
Total shareholders' deficiency attributable to shareholders' of the Company		(233,416)	(443,117)
Non-controlling interest	19	883,405	704,715
Total Equity		649,989	261,598
Total liabilities and shareholders' deficiency		$ 8,298,069	$ 7,788,227

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 nine months ended September 30, 2019 and 2018

(Unaudited)

(Expressed in U.S. Dollars)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue					
Book sales and distribution services		$ 218,105	$ 182,627	$ 4,247,981	$ 4,622,658
Online products		632,108	1,336,593	2,739,228	5,008,669
		850,213	1,519,220	6,987,209	9,631,327
Cost of sales					
Book sales and distribution services		(143,924)	(141,016)	(2,388,928)	(2,698,517)
Online products		(240,053)	(413,493)	(760,337)	(1,623,289)
Gross profit		466,236	964,711	3,837,944	5,309,521
Depreciation	7	(7,144)	(8,916)	(22,742)	(28,276)
General and administrative	14	(363,201)	(419,332)	(1,055,763)	(1,238,168)
Selling commission, marketing and copyrights	15	(249,994)	(942,881)	(2,047,571)	(2,788,148)
Other expense		-	-	(5,028)	(54,920)
Other income		51	-	599	-
Operating profit (loss)		(154,052)	(406,418)	707,439	1,200,009
Finance income		9,177	13,631	31,870	36,492
Finance costs		(33,143)	(24,151)	(65,436)	(93,731)
Net finance costs		(23,966)	(10,520)	(33,566)	(57,239)
Net income (loss) before income taxes		(178,018)	(416,938)	673,873	1,142,770
Income taxes expenses		-	-	(77,422)	(336)
Net income (loss) for the period		$ (178,018)	$ (416,938)	$ 596,451	$ 1,142,434
Other comprehensive income (loss) for the period, net of income taxes					
Unrealized exchange gain (loss) on translation of foreign operations		(106,730)	(153,064)	(208,350)	(164,046)
Other comprehensive income (loss) for the period, net of income tax		(106,730)	(153,064)	(208,350)	(164,046)
Compreshensive income (loss) for the period		$ (284,748)	$ (570,002)	$ 388,101	$ 978,388
Net income (loss) attributable to:					
Shareholders of the Company		$ (132,274)	$ (189,470)	$ 377,443	$ 1,056,478
Non-controlling interest	19	(45,744)	(227,468)	219,008	85,956
Net income (loss) for the period		$ (178,018)	$ (416,938)	$ 596,451	$ 1,142,434
Comprehensive income (loss) attributable to:					
Shareholders of the Company		$ (200,370)	$ (315,128)	$ 209,411	$ 948,382
Non-controlling interest	19	(84,378)	(254,874)	178,690	30,006
Comprehensive income (loss) for the period		$ (284,748)	$ (570,002)	$ 388,101	$ 978,388
Earnings (loss) per share					
Basic and diluted earnings (loss) per share		$ (0.00)	$ (0.00)	$ 0.01	$ 0.02
Weighted average number of common shares used to calculate basic and diluted earnings per share		47,364,983	47,364,983	47,364,983	47,364,983

(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 nine months ended September 30, 2019 and the year ended December 31, 2018

(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, 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 nine months ended September 30, 2018	-	-	-	-	1,056,478	1,056,478	85,956	1,142,434
Foreign currency translation differences	-	-	-	(108,096)	-	(108,096)	(55,950)	(164,046)
Stock-based compensation	-	-	698	-	-	698	-	698
Balance September 30, 2018	47,364,983	29,455,512	2,715,616	750,227	(32,335,706)	585,649	843,502	1,429,151
Net loss for the three months ended December 31, 2018	-	-	-	-	(1,208,176)	(1,208,176)	(144,625)	(1,352,801)
Foreign currency translation differences	-	-	-	179,227	-	179,227	5,838	185,065
Stock-based compensation	-	-	183	-	-	183	-	183
Balance December 31, 2018	47,364,983	29,455,512	2,715,799	929,454	(33,543,882)	(443,117)	704,715	261,598
Net income for the nine months ended September 30, 2019	-	-	-	-	377,443	377,443	219,008	596,451
Foreign currency translation differences	-	-	-	(168,032)	-	(168,032)	(40,318)	(208,350)
Stock-based compensation	-	-	290	-	-	290	-	290
Balance September 30, 2019	47,364,983	$ 29,455,512	$ 2,716,089	$ 761,422	$ (33,166,439)	$ (233,416)	$ 883,405	$ 649,989

(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 nine months ended September 30, 2019 and 2018

(Unaudited)

(Expressed in U.S. Dollars)

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows from operating activities				
Income (loss) for the period	$ (178,018)	$ (416,938)	$ 596,451	$ 1,142,434
Adjustments for:				
Depreciation	7,144	8,916	22,742	28,276
Interest accrued	29,152	20,490	60,010	59,197
Share-based payment	97	229	290	698
Changes in accounts and other receivable	1,371,398	2,817,082	(2,646,314)	(1,027,916)
Changes in prepaid expenses and deposits	150,134	(152,976)	(67,096)	(1,095,288)
Changes in trade and other payables	(1,119,329)	(796,919)	(710,536)	267,389
Changes in taxes payable	(14,263)	(55,061)	(43,405)	(153,315)
Changes in deferred revenue	-	3,052	(26,292)	(170,281)
Net cash provided by (used in) operating activities	246,315	1,427,875	(2,814,150)	(948,806)
Cash flows from investing activities				
Net (acquisition to) disposal of Equipment	1,255	(4,783)	1,141	(12,311)
Short-term investment	-	1,119	-	(159,053)
Net cash provided by (used in) investing activities	1,255	(3,664)	1,141	(171,364)
Cash flows from financing activities				
Bank loan	-	-	218,670	(153,690)
Loan (paid to) received from third parties	-	(15,663)	583,120	782,156
Advance from related parties	56,904	43,012	155,657	133,929
Net cash provided by financing activities	56,904	27,349	957,447	762,395
Net increase (decrease) in cash	304,474	1,451,560	(1,855,562)	(357,775)
Cash, beginning of the period	1,265,689	1,027,171	3,382,267	2,864,633
Effect of exchange rate fluctuations on cash held	(92,793)	(105,118)	(49,335)	(133,245)
Cash, end of the period	$ 1,477,370	$ 2,373,613	$ 1,477,370	$ 2,373,613
Supple mentary disclosure of cash flow information:				
Interest paid	$ (3,607)	$ (4,159)	$ (3,607)	$ (17,551)
Taxes paid	$ -	$ 1,595	$ (93,224)	$ (89,723)

(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 September 30, 2019 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

For the period ended September 30, 2019, the Group had an operating profit of $596,451 (September 30, 2018: $1,142,434), and cash flow used in operating activities of $2,814,150 (September 30, 2018: $948,806). In addition, as at September 30, 2019, the Group had an accumulated deficit of $33,166,439 since inception. The Group's ability to continue as a going concern is dependent upon, among other things, the continuing growth of the Group's revenue to sustain profitability and attain positive cashflow from operations by the Group or its ability to obtain necessary financing. The outcome of these matters cannot be predicted at this time.

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, 2018.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of September 30, 2019. These financial statements were authorized to issue by the audit committee and Board of Directors of the Company on November 27, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these condensed interim consolidated financial statements.

3. Basis of Preparation - Continued

(b) Basis of preparation

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

These 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 that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These 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	September 30, 2019	December 31, 2018
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 condensed interim consolidated financial statements.

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Areas of estimates and judgements

(i) Expected credit loss

Trade and other receivables are assessed for impairment at each reporting date by applying the "expected credit loss" impairment model under IFRS 9 – *Financial Instruments*. Expected credit loss represents management's best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also taking into consideration of forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. As at September 30, 2019, impairment allowance is $125,919 (December 31, 2018 - $130,836) 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.

3. Basis of Preparation - Continued

(c) Use of estimates and judgments- Continued

(iii) 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 September 30, 2019 and 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, 2018. 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, 2018.

5. New standards and interpretations adopted during the period

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Corporation adopted IFRS 16, which replaces IAS 17, Leases (IAS 17) and related interpretations. The standard prescribes new guidance for identifying a lease as well as the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires a lessee to recognize a right-of-use asset representing its right to use the leased asset and a corresponding lease liability representing its obligation to make lease payments for all leases. The distinction between operating and financing leases no longer applies, however an optional exemption exists for short-term and low-value leases.

5. New standards and interpretations adopted during the period - Continued

IFRS 16 Leases ("IFRS 16") - Continued

Accounting policy

At inception of a contract, the Group assesses whether a contract is or contains a lease. The Company and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method and is included within owner-occupied properties and capital assets. Depreciation expense on right-of-use assets is included within general and administrative expenses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within finance costs.

The Group does not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within general and administrative expenses.

Impact of transition to IFRS 16

The Group has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 remains as previously reported under IAS 17 and related interpretations.

Adoption of the new standard did not have an impact on the financial statements as the Group currently only has short-term lease agreements on office rental in China with lease terms less than 12 months.

Future Accounting Changes

The Group continuously monitors the potential changes proposed by the International Accounting Standards Board ("IASB") and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. There have been no significant changes to future accounting policies that could impact the Group from what was disclosed in the December 31, 2018 consolidated annual financial statements.

(Expressed in U.S. Dollars)

6. Accounts and Other Receivables

	September 30, 2019	December 31, 2018
Trade receivables	$ 6,317,214	$ 3,978,356
Other receivables	211,043	168,491
	$ 6,528,257	$ 4,146,847

As at September 30, 2019, the Group's aging analysis of trade receivables is as follows:

	Trade receivables - days past due					
	Current	< 30 days	30 - 90 days	91 - 120 days	> 120 days	Total
Expected credit loss rate	2%	0%	0%	0%	4%	
Estimated total gross carrying amount at default	6,373,749	-	-	-	69,384	6,443,133
Expected credit loss	(123,144)	-	-	-	(2,775)	(125,919)

7. Equipment

	Computer equipment	Office equipment	Motor vehicles	Total
Cost				
Balance, at January 1, 2018	$ 162,550	$ 27,406	$ 418,110	$ 608,066
Additions	9,658	2,455	-	12,113
Disposals	-	-	-	-
Effect of movements in exchange rates	(9,184)	(1,580)	(22,661)	(33,425)
Balance, at December 31, 2018	$ 163,024	$ 28,281	$ 395,449	$ 586,754
Balance, at January 1, 2019	$ 163,024	$ 28,281	$ 395,449	$ 586,754
Additions	-	113	-	113
Disposals	(1,254)	-	-	(1,254)
Effect of movements in exchange rates	(6,050)	(1,063)	(14,799)	(21,912)
Balance, at September 30, 2019	$ 155,720	$ 27,331	$ 380,650	$ 563,701

(Expressed in U.S. Dollars)

7. Equipment - Continued

	Computer equipment	Office equipment	Motor vehicles	Total
Accumulated depreciation				
Balance, at January 1, 2018	$ 131,902	$ 19,305	$ 338,418	$ 489,625
Depreciation for the year	13,813	2,641	21,427	37,881
Disposals	-	-	-	-
Effect of movements in exchange rates	(2,606)	(819)	(24,150)	(27,575)
Balance, at December 31, 2018	$ 143,109	$ 21,127	$ 335,695	$ 499,931
Balance, at January 1, 2019	$ 143,109	$ 21,127	$ 335,695	$ 499,931
Depreciation for the period	5,196	1,709	15,837	22,742
Disposals	(1,191)	-		(1,191)
Effect of movements in exchange rates	(11,344)	(2,024)	(6,194)	(19,562)
Balance, at September 30, 2019	$ 135,770	$ 20,812	$ 345,338	$ 501,920
Carrying amounts				
At December 31, 2018	$ 19,915	$ 7,154	$ 59,754	$ 86,823
At September 30, 2019	$ 19,950	$ 6,519	$ 35,312	$ 61,781

8. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the period ended September 30, 2019 and year ended December 31, 2018.

Common shares and preferred shares

At September 30, 2019, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares.

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

47,364,983 common shares are issued and outstanding as at September 30, 2019 and December 31, 2018. No preferred shares have been issued to date.

Accumulated other comprehensive income ("AOCI")

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

9. Share Purchase Options and Warrants

(a) Stock options

At September 30, 2019, 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:

(Expressed in U.S. Dollars)

9. Share Purchase Options and Warrants – Continued

(a) Stock options - Continued

	Number of Shares	Weighted Average Exercise Price Per Share (CAD)
Balance, December 31, 2017 and December 31, 2018	3,700,000	0.11
Expired during the period	-	-
Granted during the period	-	-
Balance, September 30, 2019	3,700,000	0.11

Total share-based payment for the period ended September 30, 2019 was $290 (September 30, 2018: $698). The amount has been included in general and administrative expenses.

The options outstanding at September 30, 2019 have an exercise price in the range of CAD$0.10 to CAD$0.14 (December 31, 2018: in the range of CAD$0.10 to CAD$0.14) and a weighted average contractual life of 1.56 years (December 31, 2018: 2.31 years).

There are 3,620,000 options exercisable at September 30, 2019 (December 31, 2018: 3,620,000), which have an exercise price of in the range of CAD$0.10 to CAD$0.14 (December 31, 2018: in the range of CAD$0.10 to CAD$0.14) and a weighted average contractual life of 1.57 years (December 31, 2018: 2.34 years).

(b) Share purchase warrants

At September 30, 2019 and December 31, 2018, there was no outstanding warrant.

(Expressed in U.S. Dollars)

10. Trade and Other Payables

	September 30, 2019	December 31, 2018
Trade payables	$ 1,207,182	$ 2,222,338
Other payables	1,416,342	1,183,323
Non-trade payables and accrued expenses	505,427	525,595
	$ 3,128,951	$ 3,931,256

11. Taxes Payable

	September 30, 2019	December 31, 2018
Income tax payable	$ 468,860	$ 336,065
Other tax payable	154,824	355,261
	$ 623,684	$ 691,326

12. Loans Payable

Terms and conditions of outstanding loans as at September 30, 2019 and December 31, 2018 from unrelated individuals are summarized as follows:

(Expressed in U.S. Dollars)

12. Loans Payable – Continued

	September 30, 2019					
	Principal				**Interest payable**	
	RMB	U.S. dollars equivalent	Annual interest rate	Due date	RMB	U.S. dollars equivalent
	¥	$			¥	$
Unsecured loan (1)	3,360,000	470,131	0%	On demand	-	-
Unsecured loan (2)	1,000,000	139,920	10%	December 20, 2019	77,260	10,810
Unsecured loan (3)	2,000,000	279,840	7%	December 20, 2019	69,233	9,687
Unsecured loan (4)	1,000,000	139,920	7%	December 20, 2019	36,247	5,072
Unsecured loan (5)	1,000,000	139,920	7%	December 20, 2019	32,411	4,535
Unsecured loan (6)	1,000,000	139,920	8%	December 20, 2019	59,836	8,372
	9,360,000	1,309,651			274,987	38,476

Loan payable	1,309,651
Interest payable	38,476
Total	$ 1,348,127

	December 31, 2018			
	Principal			
	RMB	U.S. dollars equivalent	Annual interest rate	Due date
	¥	$		
Unsecured loan (1)	3,360,000	488,490	0%	On demand
Unsecured loan (2)	2,000,000	290,768	10%	On demand
	5,360,000	779,258		

Loan payable	779,258
Interest payable	-
Total	$ 779,258

12. Loans Payable – Continued

(1) The loan matured on June 24, 2018 and became due on demand. As at September 30, 2019, there was no interest accrued in relation to this loan. The borrowing costs of RMB 75,000 ($11,341) has been fully amortized during the year ended December 31, 2018.

(2) In January 2018 and February 2018, the Group, through its subsidiary ZYCY, borrowed loans totaling RMB 4,000,000 ($581,536) from third parties. The loans bear an annual interest rate of 10%. In December 2018 and July 2019, the Group repaid loans in sum of RMB 3,000,000 ($441,616). As at September 30, 2019, there was interest accrued of $10,810 in relation to this loan.

(3) The loan will mature on December 20, 2019 and as at September 30, 2019, there was interest accrued of $9,687 in relation to this loan.

(4) The loan will mature on December 20, 2019 and as at September 30, 2019, there was interest accrued of $5,072 in relation to this loan.

(5) The loan will mature on December 20, 2019 and as at September 30, 2019, there was interest accrued of $4,535 in relation to this loan.

(6) The loan will mature on December 20, 2019 and as at September 30, 2019, there was interest accrued of $8,372 in relation to this loan.

13. Bank Loan

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

As of September 30, 2019, the outstanding loan amount was RMB1,500,000 ($209,880), there were interest payable balance of RMB1,903 ($266) and interest expenses of RMB24,741 ($3,462) in relation to this bank loan was fully paid.

(Expressed in U.S. Dollars)

14. General and Administrative Expenses

The breakdown of Group's general and administrative expenses for the periods ended September 30, 2019 and 2018 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Accounting and audit	$ 44,951	$ 38,997	$ 128,765	$ 131,168
Administrative and office	2,440	4,880	9,015	20,903
Consulting	38,922	34,796	107,307	110,420
Filing and listing	4,373	3,837	14,637	13,436
Investor relations	603	198	4,432	7,150
Legal and professional	339	-	3,840	8,273
Meals and entertainment	427	11,813	9,807	21,051
Miscellaneous	-	6,492	-	22,933
Registrar & transfer agent fees	446	468	1,485	1,853
Rent	48,376	41,829	136,531	134,214
Salaries, wages, commission & benefits	134,133	134,722	430,663	446,695
Stock based compensation	97	229	290	698
Technology development	73,321	83,452	178,383	228,013
Travel	14,773	57,620	30,608	91,362
	$ 363,201	$ 419,332	$ 1,055,763	$ 1,238,168

(Expressed in U.S. Dollars)

15. Selling Commission, Marketing and Copyrights

The breakdown of Group's selling commission, marketing and copyrights for the periods ended September 30, 2019 and 2018 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Commission expense	48,411	374,947	147,704	514,318
Copyright	43,357	63,350	67,730	271,533
Meals and entertainment	13,134	13,906	34,715	34,576
Office expenses	4,622	30,961	10,917	72,135
Payroll	22,692	35,018	81,896	133,584
Printing cost	-	24,141	278,535	336,168
Production fee	7,999	31,023	29,223	43,841
Promotion fee	13,378	199,870	425,956	809,191
Shipping	580	-	1,946	-
Training	61,164	30,738	588,051	80,987
Travel	34,657	138,927	380,898	491,816
	$ 249,994	$ 942,881	$ 2,047,571	$ 2,788,148

16. 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, account and other receivables, trade and other payables, loans payable, bank loan, loan payable – related parties 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 Group limits its exposure to credit risk by holding its cash in deposits with high credit quality Chinese and Canadian financial institutions.

(Expressed in U.S. Dollars)

16. Financial Risk Management – Continued

(a) Credit risk - Continued

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

	Carrying amount	
	September 30, 2019	December 31, 2018
Accounts and other receivables (excluding GST/VAT)	$ 6,526,157	$ 4,145,510
Cash and cash equivalent	1,477,370	3,382,267
	$ 8,003,527	$ 7,527,777

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

	Carrying amount	
	September 30, 2019	December 31, 2018
China	$ 6,317,214	$ 3,978,356

100% of the Group’s revenue for the periods ended September 30, 2019 and 2018 was derived from customers located in China. Two (December 31, 2018: three) customers represent in excess of 10% of accounts receivable at September 30, 2019. Two (2018: two) customers represent in excess of 10% of total revenue for the period ended September 30, 2019. The Group’s most significant customers accounted for $1,401,733 of receivables carrying amount at September 30, 2019 (December 31, 2018: $1,738,502).

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

16. Financial Risk Management – Continued

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At September 30, 2019, the Group had a net working capital of $588,208 (December 31, 2018: $174,775). The Group is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From time to time, the Group is exposed to short term interest rates through the interest earned on cash. The Group only has debt with fixed interest rates. The Group's current policy is to invest excess cash in short-term deposits with its banking institutions. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate when the Group undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Group currently does not use derivative instruments to hedge its exposure to those risks. As at September 30, 2019, 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.

(d) Fair values

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

16. Financial Risk Management – Continued

(e) Capital management

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

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

There were no changes in the Group's approach to capital management during the period ended September 30, 2019 and year ended December 31, 2018. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

17. Operating Segments

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

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

Geographical segments

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

18. 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)

18. 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 as at September 30, 2019 and December 31, 2018.

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 months ended September 30,		Nine months ended September 30,	
Director/Officer	**Transaction**	**2019**	**2018**	**2019**	**2018**
C F Zhou (director and CEO)	Consulting fees (i)	$ 34,306	$ 35,414	$ 102,919	$ 106,242
C F Zhou (director and CEO)	Interest expense (ii)	4,628	4,777	13,733	14,176
Danny Hon (director and CFO)	Accounting fees (iii)	19,561	15,785	56,742	53,063
Danny Hon (director and CFO)	Interest expense (iv)	1,993	2,057	5,913	6,104
		$ 60,488	$ 58,033	$ 179,308	$ 179,584

Director/Officer	**Balance**	**September 30, 2019**	**December 31, 2018**
C F Zhou (director and CEO)	Consulting fees payable (i)	$ 1,373,338	$ 1,232,893
C F Zhou (director and CEO)	Loan payable (ii)	122,857	119,264
C F Zhou (director and CEO)	Loan interest payable (ii)	124,377	107,359
Danny Hon (director and CFO)	Accounting fees payable (iii)	591,509	522,823
Danny Hon (director and CFO)	Loan payable (iv)	52,897	51,351
Danny Hon (director and CFO)	Loan interest payable (iv)	63,999	56,366
		$ 2,328,978	$ 2,090,056

(i) The consulting fees owing to C F Zhou as at September 30, 2019 is unsecured, due on demand with no interest.

(ii) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at September 30, 2019, there was an interest payable balance of $124,377 (December 31, 2018: $107,359) owed to C F Zhou.

(iii) The Group engaged a company, which is controlled by Danny Hon, to provide accounting services. The balance owing to this company controlled by Danny Hon as at September 30, 2019 is unsecured, due on demand and bears no interest.

(Expressed in U.S. Dollars)

18. Related Parties Transactions - Continued

(iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at September 30, 2019, there was an interest payable balance of $63,999 (December 31, 2018: $56,366) owed to Danny Hon.

19. 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 September 30, 2019	Ownership interests held by NCI December 31, 2018
Zhong Yu Cheng Yuan ("ZYCY")	China	Textbook sales	40%	40%

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

Amount in USD	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	$ 213,001	$ 194,780	$ 4,707,331	$ 5,937,798
Net income (loss)	(114,359)	(568,671)	547,521	214,889
Net income (loss) attributable to NCI	(45,744)	(227,468)	219,008	85,956
Other comprehensive income (loss)	(96,583)	(68,514)	(100,794)	(139,875)
Total comprehensive income (loss)	(210,942)	(637,185)	446,727	75,014
Total comprehensive income (loss) attributable to NCI	$ (84,377)	$ (254,874)	$ 178,691	$ 30,006

(Expressed in U.S. Dollars)

19. Non-controlling Interests Continued

Amount in USD	September 30, 2019	December 31, 2018
Current assets	$ 5,057,277	$ 5,063,613
Non-current assets	17,568	28,061
Current liabilities	(2,385,558)	(2,849,113)
Net assets	$ 2,689,287	$ 2,242,561

Amount in USD	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flow used in operating activities	$ 445,468	$ 1,883,521	$ (1,758,704)	$ (5,511)
Cash flow used in investing activities	-	-	-	(1,836)
Cash flow provided by financing activities	(6,480)	(1,619)	583,120	809,546
Net increase (decrease) in cash and cash equivalent	$ 438,988	$ 1,881,903	$ (1,175,584)	$ 802,200
Dividend paid to NCI during the period	$ -	$ -	$ -	$ -