

China Education Resources Inc.

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

Period Ended June 30, 2020
(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, 2020 and December 31, 2019

(Expressed in U.S. Dollars)

| AS AT | Note | June 30, 2020 (Unaudited) | December 31, 2019 (Audited) |
|--|------|---------------------------------|-----------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 1,248,355 | \$ 1,840,458 |
| Restricted cash | 21 | 823,355 | 835,904 |
| Accounts and other receivables (net of allowance for expected credit loss of \$862,199, December 31, 2019: \$875,119) | 6 | 5,748,055 | 3,774,147 |
| Prepaid expenses and deposits | | 414,167 | 521,181 |
| Total current assets | | 8,233,932 | 6,971,690 |
| Non-current assets | | | |
| Right - of - use asset | 7 | 86,905 | 106,458 |
| Equipment | 7 | 42,059 | 56,775 |
| Total non-current assets | | 128,964 | 163,233 |
| Total assets | | \$ 8,362,896 | \$ 7,134,923 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | \$ 4,044,128 | \$ 3,618,964 |
| Deferred revenue | | 9,757 | 9,583 |
| Taxes payable | 11 | 484,276 | 522,275 |
| Lease obligations - current portion | 12 | 34,932 | 27,664 |
| Loans payable | 13 | 900,485 | 482,462 |
| Bank loan | 14 | - | 215,385 |
| Loans payable - related parties | 19 | 373,077 | 378,056 |
| Due to related parties | 19 | 2,057,752 | 2,051,431 |
| Total current liabilities | | 7,904,407 | 7,305,820 |
| Non-current liabilities | | | |
| Lease obligation | 12 | 53,546 | 72,364 |
| Total liabilities | | \$ 7,957,953 | \$ 7,378,184 |
| Shareholders' Equity (Deficiency) | | | |
| Share capital | 8 | 29,455,512 | 29,455,512 |
| Contributed surplus | | 2,716,153 | 2,716,153 |
| Accumulated other comprehensive income | | 878,572 | 788,854 |
| Deficit | | (33,551,608) | (34,017,940) |
| Total shareholders' deficiency attributable to shareholders of the Company | | (501,371) | (1,057,421) |
| Non-controlling interest | 20 | 906,314 | 814,160 |
| Total Equity (Deficiency) | | 404,943 | (243,261) |
| Total liabilities and shareholders' equity | | \$ 8,362,896 | \$ 7,134,923 |

Going Concern - Note 2

Contingent Liability - Note 21

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 Loss and Comprehensive Loss
For the three months and six months ended June 30, 2020 and 2019
(Unaudited)

(Expressed in U.S. Dollars)

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|--|------|-----------------------------|--------------|---------------------------|--------------|
| | | 2020 | 2019 | 2020 | 2019 |
| Revenue | | | | | |
| Book sales and distribution services | | \$ 2,647,668 | \$ 3,048,435 | \$ 3,144,750 | \$ 4,029,876 |
| Online products | | 1,086,833 | 1,202,182 | 1,189,025 | 2,107,120 |
| | | 3,734,501 | 4,250,617 | 4,333,775 | 6,136,996 |
| Cost of sales | | | | | |
| Book sales and distribution services | | (1,769,274) | (1,842,531) | (2,173,440) | (2,245,004) |
| Online products | | (188,187) | (208,164) | (257,763) | (520,284) |
| Gross profit | | 1,777,040 | 2,199,922 | 1,902,572 | 3,371,708 |
| Depreciation | 7 | (15,769) | (7,241) | (32,020) | (15,598) |
| General and administrative | 15 | (244,978) | (367,082) | (591,428) | (692,562) |
| Selling commission, marketing and copyrights | 16 | (550,145) | (1,158,887) | (710,730) | (1,797,577) |
| Other expense | | (27) | - | (27) | (5,084) |
| Other income | | 15,273 | - | 15,511 | 548 |
| Operating profit | | 981,394 | 666,712 | 583,878 | 861,435 |
| Finance income | | 5,257 | 8,819 | 14,292 | 23,609 |
| Finance costs | | (8,185) | (20,985) | (25,472) | (32,293) |
| Net finance cost | | (2,928) | (12,166) | (11,180) | (8,684) |
| Net income before income taxes | | 978,466 | 654,546 | 572,698 | 852,751 |
| Income tax expenses | | - | (43,355) | - | (78,282) |
| Net income for the period | | \$ 978,466 | \$ 611,191 | \$ 572,698 | \$ 774,469 |
| Other comprehensive (loss) income for the period, net of income taxes | | | | | |
| Unrealized exchange gain on translation of foreign operations | | (102,889) | (128,733) | 75,506 | (101,620) |
| Other comprehensive (loss) income for the period, net of income tax | | (102,889) | (128,733) | 75,506 | (101,620) |
| Comprehensive income for the period | | \$ 875,577 | \$ 482,458 | \$ 648,204 | \$ 672,849 |
| Net income attributable to: | | | | | |
| Shareholders of the Company | | \$ 795,883 | \$ 423,482 | \$ 466,332 | \$ 509,717 |
| Non-controlling interest | 20 | 182,583 | 187,709 | 106,366 | 264,752 |
| Net income for the period | | \$ 978,466 | \$ 611,191 | \$ 572,698 | \$ 774,469 |
| Comprehensive income attributable to: | | | | | |
| Shareholders of the Company | | \$ 692,424 | \$ 317,637 | \$ 556,050 | \$ 409,781 |
| Non-controlling interest | 20 | 183,153 | 164,821 | 92,154 | 263,068 |
| Comprehensive income for the period | | \$ 875,577 | \$ 482,458 | \$ 648,204 | \$ 672,849 |
| Earnings per share | | | | | |
| Basic and diluted earnings per share | | \$ 0.02 | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| 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 six months ended June 30, 2020 and the year ended December 31, 2019
(Unaudited)

| (Expressed in U.S. Dollars) | Attributable to equity holders of the Company | | | | | | Non- Controlling Interest | Total Equity (Deficiency) |
|---|---|------------------|------------------------|---|-----------------|----------------|---------------------------------|---------------------------------|
| | Number of Shares | Share Capital | Contributed Surplus | Accumulative Other Comprehensive Income Account | Deficit | Total | | |
| 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 six months ended June 30, 2019 | - | - | - | - | 509,717 | 509,717 | 264,752 | 774,469 |
| Foreign currency translation differences | - | - | - | (99,936) | - | (99,936) | (1,684) | (101,620) |
| Stock-based compensation | - | - | 193 | - | - | 193 | - | 193 |
| Balance June 30, 2019 | 47,364,983 | 29,455,512 | 2,715,992 | 829,518 | (33,034,165) | (33,143) | 967,783 | 934,640 |
| Net loss for the six months ended December 31, 2019 | - | - | - | - | (983,775) | (983,775) | (143,933) | (1,127,708) |
| Foreign currency translation differences | - | - | - | (40,664) | - | (40,664) | (9,690) | (50,354) |
| Stock-based compensation | - | - | 161 | - | - | 161 | - | 161 |
| Balance December 31, 2019 | 47,364,983 | \$ 29,455,512 | \$ 2,716,153 | \$ 788,854 | \$ (34,017,940) | \$ (1,057,421) | \$ 814,160 | \$ (243,261) |
| Net income for the six months ended June 30, 2020 | - | - | - | - | 466,332 | 466,332 | 106,366 | 572,698 |
| Foreign currency translation differences | - | - | - | 89,718 | - | 89,718 | (14,212) | 75,506 |
| Balance June 30, 2020 | 47,364,983 | \$ 29,455,512 | \$ 2,716,153 | \$ 878,572 | \$ (33,551,608) | \$ (501,371) | \$ 906,314 | \$ 404,943 |

(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, 2020 and 2019
(Unaudited)

(Expressed in U.S. Dollars)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|---------------------|---------------------------|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flows from operating activities | | | | |
| Income for the period | \$ 978,466 | \$ 611,191 | \$ 572,698 | \$ 774,469 |
| Adjustments for: | | | | |
| Depreciation | 15,769 | 7,241 | 32,020 | 15,598 |
| Interest accrued | 5,339 | 20,074 | 13,493 | 30,858 |
| Share-based payment | - | 97 | - | 193 |
| Changes in accounts and other receivable | (2,323,971) | (2,713,847) | (2,040,007) | (4,017,712) |
| Changes in prepaid expenses and deposits | 251,985 | 1,397 | 99,355 | (217,231) |
| Changes in trade and other payables | 977,950 | 1,522,721 | 481,089 | 408,793 |
| Changes in taxes payable | 20,863 | 2,033 | (30,442) | (29,141) |
| Changes in deferred revenue | 320 | 146 | 320 | (26,584) |
| Net cash used in operating activities | (73,279) | (548,947) | (871,474) | (3,060,757) |
| Cash flows from investing activities | | | | |
| Acquisition of equipment | - | - | - | (114) |
| Net cash used in investing activities | - | - | - | (114) |
| Cash flows from financing activities | | | | |
| Bank loan | (213,285) | 221,100 | (213,285) | 221,100 |
| (Repayment of) proceeds from third parties loan | 142,190 | 293,180 | 426,570 | 589,600 |
| Advance from related parties | 54,900 | 50,538 | 102,487 | 98,753 |
| Lease payments | (8,413) | - | (10,124) | - |
| Net cash provided by (used in) financing activities | (24,608) | 564,818 | 305,648 | 909,453 |
| Net increase (decrease) in cash | (97,887) | 15,871 | (565,826) | (2,151,418) |
| Cash, beginning of the period | 1,348,348 | 1,290,081 | 1,840,458 | 3,382,267 |
| Effect of exchange rate fluctuations on cash held | (2,106) | (40,263) | (26,277) | 34,840 |
| Cash, end of the period | \$ 1,248,355 | \$ 1,265,689 | \$ 1,248,355 | \$ 1,265,689 |
| Supplementary disclosure of cash flow information: | | | | |
| Interest paid | \$ (2,331) | \$ - | \$ (5,876) | \$ - |
| Taxes paid | \$ (7,985) | \$ (43,268) | \$ (7,985) | \$ (94,260) |

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

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

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., Canada, V6B 6H5. The consolidated financial statements of the Company as at and for the period ended June 30, 2020 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 June 30, 2020, the Group had an operating profit of \$583,878 (2019: \$861,435), and cash flow used in operating activities of \$871,474 (2019: \$3,060,757). In addition, as at June 30, 2020, the Group had an accumulated deficit of \$33,551,608 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 cash flow 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

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, 2019.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

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, 2020. These financial statements were authorized to issue by the audit committee and Board of Directors of the Company on August 31, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2020 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 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:

| Name of subsidiary | Country of incorporation | Ownership interest | |
|---|--------------------------|--------------------|-------------------|
| | | June 30, 2020 | December 31, 2019 |
| CEN China Education Network Ltd. ("CEN Network") (inactive) | 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") (inactive) | 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% |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

3. Basis of Preparation - Continued

(b) Basis of preparation - Continued

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.

(c) Use of estimates and judgments

The preparation of the 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 June 30, 2020, allowance for expected credit loss is \$862,199 (December 31, 2019 - \$875,119) based on management’s assessment of credit history with the customers and current relationships with them.

(ii) Income taxes

Tax regulations are very complex and changing regularly. As a result, the Group is required to make judgments about the tax applications and probability of certain tax exposure. Also, all tax returns are subject to further government’s reviews, with the potential reassessments. All those facts can impact income tax provisions and operation results and that changes to these amounts could have a material effect on the Company’s consolidated financial statements.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

3. Basis of Preparation - Continued

(c) Use of estimates and judgments- Continued

(iii) Deferred taxes

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

(iv) Going concern

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the periods ended June 30, 2020 and 2019. 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.

(v) Contingent liabilities

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the condensed interim consolidated financial statements and the amount can be reasonably estimated. Where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time and a disclosure of contingent liability is made unless the possibility of settlement is remote. Management has applied significant judgements in assessing the possibility of any outflow in settlement based on factors and situations known to management at the time of preparing these consolidated financial statements. Actual results may differ. Please refer to Note 21 for details.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

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, 2019. 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, 2019.

5. New Standards and Interpretations Adopted During the Period

IAS 1 – Presentation of Financial Statements (“IAS 1”)

On January 1, 2020, the Group adopted IAS 1. IAS 1 sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.

IAS 1 has been revised to incorporate a new definition of “material” and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors has been revised to refer to this new definition in IAS 1. The adoption of IAS 1 had no significant impact on the Company's condensed interim consolidated financial statements.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

On January 1, 2020, the Company adopted IAS 8. IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IAS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. As of January 1, 2020, the Company adopted IAS 8. The adoption of IAS 8 had no significant impact on the Company's condensed interim consolidated financial statements.

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, 2019 consolidated annual financial statements.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

6. Accounts and Other Receivables

| | June 30, 2020 | December 31, 2019 |
|-------------------|---------------------|----------------------|
| Trade receivables | \$ 5,637,157 | \$ 3,679,136 |
| Other receivables | 110,898 | 95,011 |
| | <u>\$ 5,748,055</u> | <u>\$ 3,774,147</u> |
| Non-current | \$ - | \$ - |
| Current | 5,748,055 | 3,774,147 |
| | <u>\$ 5,748,055</u> | <u>\$ 3,774,147</u> |

As at June 30, 2020, the Group's aging analysis of trade receivables is as follows:

| | Trade receivables - days past due | | | | | Total |
|--|-----------------------------------|----------|-----------------|------------------|---------------|-----------|
| | Current | <30 days | 30 - 90 days | 91 - 120 days | > 120 days | |
| Expected credit loss rate | -1% | -4% | -3% | -3% | -76% | |
| Estimated total gross carrying amount at default | 3,491,625 | 269,909 | 1,269,890 | 465,302 | 1,002,630 | 6,499,356 |
| Expected credit loss | (37,586) | (9,447) | (40,989) | (12,390) | (761,788) | (862,199) |

See also Note 17(a).

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

7. Equipment and Right of Use Asset

(i) Equipment

| | Computer equipment | Office equipment | Motor vehicles | Total |
|--|-----------------------|---------------------|-------------------|-------------------|
| Cost | | | | |
| Balance, at January 1, 2019 | \$ 163,024 | \$ 28,281 | \$ 395,449 | \$ 586,754 |
| Additions | 333 | 907 | - | 1,240 |
| Disposals | (1,245) | - | - | (1,245) |
| Effect of movements in exchange rates | (1,978) | (353) | (4,815) | (7,146) |
| Balance, at December 31, 2019 | <u>\$ 160,134</u> | <u>\$ 28,835</u> | <u>\$ 390,634</u> | <u>\$ 579,603</u> |
| Balance, at January 1, 2020 | \$ 160,134 | \$ 28,835 | \$ 390,634 | \$ 579,603 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Effect of movements in exchange rates | (2,364) | (425) | (5,768) | (8,557) |
| Balance, at June 30, 2020 | <u>\$ 157,770</u> | <u>\$ 28,410</u> | <u>\$ 384,866</u> | <u>\$ 571,046</u> |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

7. Equipment and Right of Use Asset - Continued

(i) Equipment - Continued

| | Computer equipment | Office equipment | Motor vehicles | Total |
|--|-----------------------|---------------------|-------------------|-------------------|
| Accumulated depreciation | | | | |
| Balance, at January 1, 2019 | \$ 143,109 | \$ 21,127 | \$ 335,695 | \$ 499,931 |
| Depreciation for the year | 6,419 | 2,198 | 21,786 | 30,403 |
| Disposals | (1,183) | - | - | (1,183) |
| Effect of movements in exchange rates | (7,561) | (1,391) | 2,629 | (6,323) |
| Balance, at December 31, 2019 | <u>\$ 140,784</u> | <u>\$ 21,934</u> | <u>\$ 360,110</u> | <u>\$ 522,828</u> |
| Balance, at January 1, 2020 | \$ 140,784 | \$ 21,934 | \$ 360,110 | \$ 522,828 |
| Depreciation for the period | 2,202 | 1,010 | 10,298 | 13,510 |
| Disposals | - | - | - | - |
| Effect of movements in exchange rates | (2,008) | (266) | (5,077) | (7,351) |
| Balance, at June 30, 2020 | <u>\$ 140,978</u> | <u>\$ 22,678</u> | <u>\$ 365,331</u> | <u>\$ 528,987</u> |
| Carrying amounts | | | | |
| At December 31, 2019 | \$ 19,350 | \$ 6,901 | \$ 30,524 | \$ 56,775 |
| At June 30, 2020 | <u>\$ 16,792</u> | <u>\$ 5,732</u> | <u>\$ 19,535</u> | <u>\$ 42,059</u> |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

7. Equipment and Right of Use Asset - Continued

(ii) Right of Use Asset

Cost

| | | |
|---------------------------------------|-----------|----------------|
| Balance, at January 1, 2019 | \$ | - |
| Additions | | 109,499 |
| Effect of movements in exchange rates | | - |
| Balance, at December 31, 2019 | <u>\$</u> | <u>109,499</u> |
| | | |
| Balance, at January 1, 2020 | \$ | 109,499 |
| Additions | | |
| Effect of movements in exchange rates | | (1,617) |
| Balance, at June 30, 2020 | <u>\$</u> | <u>107,883</u> |

Accumulated depreciation

| | | |
|---------------------------------------|-----------|---------------|
| Balance, at January 1, 2019 | \$ | - |
| Depreciation for the period | | 3,067 |
| Effect of movements in exchange rates | | (26) |
| Balance, at December 31, 2019 | <u>\$</u> | <u>3,041</u> |
| | | |
| Balance, at January 1, 2020 | \$ | 3,041 |
| Depreciation for the period | | 18,072 |
| Effect of movements in exchange rates | | (136) |
| Balance, at June 30, 2020 | <u>\$</u> | <u>20,977</u> |

Carrying amount

| | | |
|-------------------------|-----------|---------------|
| As at December 31, 2019 | \$ | 106,458 |
| As at June 30, 2020 | <u>\$</u> | <u>86,905</u> |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

8. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the period ended June 30, 2020 and year ended December 31, 2019.

Common shares and preferred shares

At June 30, 2020, 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 June 30, 2020 and December 31, 2019. 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 June 30, 2020, 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 ten 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.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

9. Share Purchase Options and Warrants - Continued

(a) Stock options - Continued

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

| | Number of Shares | Weighted Average Exercise Price Per Share (CAD) |
|---|-----------------------------|--|
| Balance, December 31, 2018 | 3,700,000 | 0.11 |
| Expired during the period | - | - |
| Granted during the period | - | - |
| Balance, December 31, 2019 and June 30, 2020 | 3,700,000 | 0.11 |

Total share-based payment for the three-month and six-month periods ended June 30, 2020 was \$nil (2019: \$97) and \$nil (2019: \$193) respectively. The amount has been included in general and administrative expenses.

The options outstanding at June 30, 2020 have an exercise price in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2019: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 0.81 years (December 31, 2019: 1.31 years).

There are 3,700,000 options exercisable at June 30, 2020 (December 31, 2019: 3,700,000), which have an exercise price of in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2019: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 0.81 years (December 31, 2019: 1.31 years).

See also Note 22.

(b) Share purchase warrants

At June 30, 2020 and December 31, 2019, there was no outstanding warrant.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

10. Trade and Other Payables

| | June 30, 2020 | December 31, 2019 |
|---|--------------------------|------------------------------|
| Trade payables | \$ 2,779,166 | \$ 2,057,180 |
| Other payables | 736,627 | 1,032,304 |
| Non-trade payables and accrued expenses | 528,334 | 529,480 |
| | <u>\$ 4,044,128</u> | <u>\$ 3,618,964</u> |

11. Taxes Payable

| | June 30, 2020 | December 31, 2019 |
|--------------------|--------------------------|------------------------------|
| Income tax payable | \$ 358,841 | \$ 394,145 |
| Other tax payable | 125,435 | 128,130 |
| | <u>\$ 484,276</u> | <u>\$ 522,275</u> |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

12. Lease Obligations

TTTC has a lease for office premises in China in the amount of RMB 23,243 (\$3,288) in advance per month, until December 4, 2022. The Group recognized a right-of use asset (Note 7) and corresponding lease obligations calculated using incremental borrowing rate of 6.525%, analyzed as follows:

| | RMB | USD equivalent |
|--|-----------|-------------------|
| Balance, December 31, 2018 | ¥ - | \$ - |
| Initial right-of-use asset obligations | 762,584 | 109,499 |
| Interest | 3,767 | 541 |
| Payments | (69,730) | (10,012) |
| Balance, December 31, 2019 | 696,621 | 100,028 |
| Current portion | 192,659 | 27,664 |
| Long-term portion | ¥ 503,962 | \$ 72,364 |

| | RMB | USD equivalent |
|--|-----------|-------------------|
| Balance, December 31, 2019 | ¥ 696,621 | \$ 100,028 |
| Effects of movements in exchange rates | - | (1,477) |
| Interest | 21,768 | 3,080 |
| Payments | (92,972) | (13,153) |
| Balance, June 30, 2020 | 625,417 | 88,478 |
| Current portion | 246,925 | 34,932 |
| Long-term portion | ¥ 378,492 | \$ 53,546 |

During the period ended June 30, 2020, the Group made lease payment of RMB 92,972 (\$13,153) [2019: RMB nil (\$nil)] and incurred interest accretion of RMB 21,768 (\$3,080) [2019: RMB nil (\$nil)] recorded in finance cost in the statement of loss and comprehensive loss.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

13. Loans Payable

Terms and conditions of outstanding loans as at June 30, 2020 and December 31, 2019 from unrelated individuals are summarized as follows:

| | June 30, 2020 | | | | | |
|--------------------|--------------------------|-------------------------------|----------------------------|-------------------------|-------|-------------------------------|
| | Principal | | | Interest payable | | |
| | RMB | U.S. dollars equivalent | Annual interest rate | Due date | RMB | U.S. dollars equivalent |
| | ¥ | \$ | | | ¥ | \$ |
| Unsecured loan (1) | 3,360,000 | 475,339 | 0% | On demand | - | - |
| Unsecured loan (2) | 2,000,000 | 282,940 | 0% | 12/20/2020 | - | - |
| Unsecured loan (3) | 500,000 | 70,735 | 10% | 9/30/2020 | 3,973 | 562 |
| Unsecured loan (4) | 500,000 | 70,735 | 10% | 12/31/2020 | 1,233 | 174 |
| | 6,360,000 | 899,749 | | | 5,206 | 736 |
| Loan payable | \$ 899,749 | | | | | |
| Interest payable | 736 | | | | | |
| Total | \$ 900,485 | | | | | |
| | December 31, 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 | 482,462 | 0% | On demand | - | - |
| | 3,360,000 | 482,462 | | | - | - |
| Loan payable | \$ 482,462 | | | | | |
| Interest payable | - | | | | | |
| Total | \$ 482,462 | | | | | |

(1) The loan matured on June 24, 2018 and became due on demand. As at June 30, 2020, 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.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

13. Loans Payable – Continued

- (2) After further negotiation, the lender agreed to waive the interest on the loan from 5% per annum to non-interest bearing retroactive from the day of lending the money. The loan will matured on December 20, 2020. Interest accrued for the period ended March 31, 2020, in sum of RMB11,740, was reversed in the quarter ended June 30, 2020 and as at June 30, 2020, there was no interest accrued in relation to this loan.
- (3) In June 2020, the Group borrowed a loan of RMB 500,000 (\$70,735) from a director of ZYCY. The loan bear an annual interest rate of 10% and will matured on September 30, 2020. As at June 30, 2020, there was interest accrued of \$562 in relation to this loan.
- (4) In June 2020, the Group borrowed a loan of RMB 500,000 (\$70,735) from a director of TTTC. The loan bear an annual interest rate of 10% and will matured on December 31, 2020. As at June 30, 2020, there was interest accrued of \$174 in relation to this loan.

14. 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 June 30, 2020, the bank loan was fully repaid together with interest expense of RMB41,325 (\$5,876) for the period ended June 30, 2020.

15. General and Administrative Expenses

The breakdown of Group's general and administrative expenses for the three-month and six-month periods ended June 30, 2020 and 2019 was as follows:

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

15. General and Administrative Expenses – Continued

| | Three months ended | | Six months ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| Accounting and audit | \$ 44,373 | \$ 47,317 | \$ 79,690 | \$ 83,814 |
| Administrative and office | 3,931 | 4,229 | 6,194 | 6,575 |
| Consulting | 32,903 | 34,085 | 66,809 | 68,385 |
| Filing and listing | 6,164 | 6,271 | 10,295 | 10,264 |
| Investor relations | 459 | 545 | 6,055 | 3,829 |
| Legal and professional | 490 | 190 | 6,592 | 3,501 |
| Meals and entertainment | - | 3,609 | 2,646 | 9,380 |
| Miscellaneous | 131 | | 1,614 | - |
| Registrar & transfer agent fees | 415 | 443 | 1,015 | 1,039 |
| Rent | 15,254 | 43,745 | 34,199 | 88,155 |
| Salaries, wages, commission & benefits | 101,067 | 162,161 | 292,868 | 296,530 |
| Stock based compensation | - | 97 | | 193 |
| Technology development | 33,669 | 55,643 | 72,343 | 105,062 |
| Travel | 6,122 | 8,747 | \$ 11,108 | \$ 15,835 |
| | <u>\$ 244,978</u> | <u>\$ 367,082</u> | <u>\$ 591,428</u> | <u>\$ 692,562</u> |

16. Selling Commission, Marketing and Copyrights

The breakdown of Group's selling commission, marketing and copyrights for the three-month and six-month periods ended June 30, 2020 and 2019 was as follows:

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

16. Selling Commission, Marketing and Copyrights – Continued

| | Three months ended | | Six months ended | |
|----------------------------------|--------------------|---------------------|-------------------|---------------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| Commission expense | \$ 65,760 | \$ 34,491 | \$ 83,214 | \$ 99,293 |
| Copyright | 1,704 | 19,926 | 1,952 | 24,373 |
| Education and research allowance | 56,876 | 215,016 | 56,876 | 281,630 |
| Meals and entertainment | 1,268 | 10,196 | 2,239 | 21,581 |
| Office expenses | 815 | 1,172 | 1,026 | 6,296 |
| Payroll | 20,533 | 27,729 | 45,197 | 59,204 |
| Production fee | 45,353 | 678 | 61,635 | 21,224 |
| Promotion fee | 188,558 | 230,434 | 193,721 | 324,138 |
| Service fee | 72,215 | - | 72,215 | - |
| Shipping | - | 583 | - | 1,366 |
| Training | - | 458,469 | - | 523,792 |
| Travel | 97,063 | 160,193 | 192,656 | 434,680 |
| | <u>\$ 550,145</u> | <u>\$ 1,158,887</u> | <u>\$ 710,730</u> | <u>\$ 1,797,577</u> |

17. 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, restricted cash, account and other receivables (excluding GST receivables), trade and other payables, loans payable, bank loan, loan payable – related parties, due to related parties and lease obligations.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

17. Financial Risk Management - Continued

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash and accounts and other receivables (excluding GST 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.

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

| | <u>Carrying amount</u> | |
|--|--------------------------------|------------------------------------|
| | <u>June 30,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
| Accounts and other receivables (excluding GST) | \$ 5,742,743 | \$ 3,772,018 |
| Cash and cash equivalent | 1,248,355 | 1,840,458 |
| Restricted cash | 823,355 | 835,904 |
| | <u>\$ 7,814,453</u> | <u>\$ 6,448,380</u> |

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

| | <u>Carrying amount</u> | |
|-------|--------------------------------|------------------------------------|
| | <u>June 30,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
| China | <u>\$ 5,637,157</u> | <u>\$ 3,679,136</u> |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

17. Financial Risk Management - Continued

(a) Credit risk - Continued

100% of the Group's revenue for the periods ended June 30, 2020 and 2019 was derived from customers located in China. Two (December 31, 2019: two) customers represent in excess of 10% of accounts receivable at December 31, 2019. Two (2019: two) customers represent in excess of 10% of total revenue for the period ended June 30, 2020. The Group's most significant customers accounted for \$1,979,342 of receivables carrying amount at June 30, 2020 (December 31, 2019: \$1,695,676).

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. As of June 30, 2020, the Group made provision of accounts receivable of \$862,199.

(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, 2020, the Group had a net working capital of \$329,525 (December 31, 2019: net working capital deficit of \$334,130). 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.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

17. Financial Risk Management - Continued

(c) Market risk - Continued

(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, 2020, 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, except for the lease obligation, approximate their carrying value due to their short-term nature. The Group has not offset financial assets with financial liabilities.

(e) Capital management

The Group defines its capital as shareholder's equity. 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.

There were no changes in the Group's approach to capital management during the period ended June 30, 2020 and year ended December 31, 2019. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

18. 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.

19. 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.

Key management personnel and director transactions

Directors of the Group control approximately 13.7% percent of the voting shares of the Group as at June 30, 2020 and December 31, 2019.

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.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

19. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| Director/Officer | Transaction | Three months ended | | Six months ended | |
|------------------------------|-----------------------|--------------------|------------------|-------------------|-------------------|
| | | June 30, | | June 30, | |
| | | 2020 | 2019 | 2020 | 2019 |
| C F Zhou (director and CEO) | Consulting fees (i) | \$ 33,404 | \$ 34,192 | \$ 66,809 | \$ 68,385 |
| C F Zhou (director and CEO) | Interest expense (ii) | 4,458 | 4,563 | 8,915 | 9,075 |
| Danny Hon (director and CFO) | Accounting fees (iii) | 20,511 | 19,496 | 35,895 | 34,492 |
| Danny Hon (director and CFO) | Interest expense (iv) | 1,919 | 1,965 | 3,839 | 3,907 |
| | | <u>\$ 60,293</u> | <u>\$ 60,215</u> | <u>\$ 115,458</u> | <u>\$ 115,860</u> |

| Director/Officer | Balance | June 30, | December 31, |
|------------------------------|-------------------------------|---------------------|---------------------|
| | | 2020 | 2019 |
| C F Zhou (director and CEO) | Consulting fees payable (i) | \$ 1,439,776 | \$ 1,437,960 |
| C F Zhou (director and CEO) | Loan payable (ii) | 119,387 | 125,269 |
| C F Zhou (director and CEO) | Loan interest payable (ii) | 134,307 | 131,556 |
| Danny Hon (director and CFO) | Accounting fees payable (iii) | 617,976 | 613,471 |
| Danny Hon (director and CFO) | Loan payable (iv) | 51,403 | 53,936 |
| Danny Hon (director and CFO) | Loan interest payable (iv) | 67,980 | 67,295 |
| | | <u>\$ 2,430,829</u> | <u>\$ 2,429,488</u> |

- (i) The consulting fees owing to C F Zhou as at June 30, 2020 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, 2020, there was an interest payable balance of \$134,307 (December 31, 2019: \$131,556) 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 June 30, 2020 is unsecured, due on demand and bears no interest.
- (iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at June 30, 2020, there was an interest payable balance of \$67,980 (December 31, 2019: \$67,295) owed to Danny Hon.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

20. 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, 2020 | December 31, 2019 |
| 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 | | Six months ended | |
|---|--------------------|--------------|------------------|--------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2019 | 2018 |
| Revenue | \$ 2,647,668 | \$ 3,125,595 | \$ 3,144,750 | \$ 4,494,330 |
| Net income (loss) | 456,458 | 469,273 | 265,914 | 661,880 |
| Net income (loss) attributable to NCI | 182,584 | 187,709 | 106,366 | 264,752 |
| Other comprehensive income (loss) | 1,425 | (57,220) | (35,530) | (4,211) |
| Total comprehensive income (loss) | 457,883 | 412,053 | 230,384 | 657,669 |
| Total comprehensive income (loss) attributable to NCI | \$ 183,154 | \$ 164,821 | \$ 92,154 | \$ 263,068 |

| Amount in USD | June 30, 2020 | December 31, 2019 |
|-------------------------|---------------|-------------------|
| Current assets | \$ 5,475,712 | \$ 4,800,061 |
| Non-current assets | 8,067 | 6,297 |
| Current liabilities | (2,737,221) | (2,290,184) |
| Non-current liabilities | - | - |
| Net assets | \$ 2,746,558 | \$ 2,516,174 |

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2020
(Unaudited)

20. Non-controlling Interests - Continued

| Amount in USD | Three months ended | | Six months ended | |
|--|--------------------|--------------|------------------|----------------|
| | June 30, | | June 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| Cash flow provided by (used in) operating activities | \$ 86,745 | \$ (476,082) | \$ (446,437) | \$ (2,204,172) |
| Cash flow used in investing activities | - | - | - | - |
| Cash flow provided by financing activities | - | 293,180 | 284,380 | 589,600 |
| Effect on foreign translation | (4,870) | 49,409 | (77,073) | (24,974) |
| Net increase (decrease) in cash and cash equivalent | \$ 81,875 | \$ (133,493) | \$ (239,130) | \$ (1,639,546) |
| Dividend paid to NCI during the year | \$ - | \$ - | \$ - | \$ - |

21. Contingent Liability

In late November 2019, a local Chinese company (“plaintiff”) filed a legal claim in China against TTTC for RMB5,820,000 (\$823,355) as their commission income. The amount subject to the claim has been held as restricted cash. The legal case has been heard in court. However, the decision has not been released by the court as of the release date of the consolidated financial statements due to COVID-19. Management is of the opinion that the legal claim is without merit and remote as the plaintiff could not provide any contractual evidence demonstrating that TTTC has engaged for their services. No provision of the potential liability has been made in the consolidated financial statements.

22. Subsequent Event

On August 17, 2020, the Group granted incentive stock options of 1,030,000 shares at CAD\$0.10 per share expiring on August 17, 2025 which exceeds the market price at the grant date to directors and employee for their past services. The stock options are vested immediately. The total fair value of the stock options granted was CAD\$22,530 (\$16,532). 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: 0.39% per annum, expected volatility: 126.14%, dividend yield: \$nil and forfeiture rate: 0%.