

CHINA EDUCATION RESOURCES INC.



**Management's Discussion and Analysis
For the period ended March 31, 2020**

FORM 51-102F1

This Management Discussion and Analysis (“MD&A”) reviews the activities of China Education Resources Inc. (“CER”), its Chinese operating subsidiaries, Today’s Teachers Technology & Culture Ltd. (“TTTC”), CEN Smart (“CEN”) and Zhong Yu Cheng Yuan Education Technology Ltd. (previously known as Zhong Yu Cheng Yuan Curriculum Development Center Ltd.) (“ZYCY”) (and/or collectively the “Group”) and compares the financial results for the period ended March 31, 2020 with the same period of 2019. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019, copy of which is filed on the SEDAR website.

All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRSs”), except those exceptions specially mentioned.

All dollar amounts presented are expressed in United States dollars unless otherwise noted.

FORWARD LOOKING INFORMATION

Except for statements of historical fact, the discussion and analysis of financial performance and position including, without limitation, statements regarding projections, future plans, and objectives of CER are forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are based on management experience, historical results, current expectations and analyses, trends, government policies, and current business and economic conditions, including CER’s analysis of its product and distribution system and its expectations regarding the effects of anticipated product and distribution changes and the potential benefits of such efforts and activities on CER’s results of operations in future periods. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements.

DATE OF REPORT – July 13, 2020

DESCRIPTION AND OVERVIEW OF BUSINESS

CER is a corporation organized under the predecessor to the *Business Corporations Act* of British Columbia. CER is a public company traded on the TSX Venture Exchange with the trading symbol “CHN” and OTC Markets with the trading symbol “CHNUF”. The Group, through its subsidiaries in China, is a leading provider of kindergarten to grade 12 (“K-12”) education resources and services through its national internet portal, China Education Resources and Services Platform (“CERSP”), www.cersp.com, to China’s kindergarten to grade 12 education market.

The Group has worked in all areas of education resources development, marketing and sales. Working with the Curriculum Development Center (“CDC”) of China’s Ministry of Education (“MOE”) and Chinese Society of Education (“CSE”) the largest academic association in China, CER has developed a unique national education portal (www.CERSP.com) to help the Central Government implement policy reform. This reform effort is designed to bring China’s education system into the twenty first century by changing teaching methods from rote memory learning to a more individualized and creative approach. Teachers completed the national or provincial online training programs on CERSP.com will receive teacher’s

continuing education credit from either MOE or provincial education authorities. In collaboration with China's various education authorities and experts, the CERSP portal is designed to support all stakeholders and participants in the K-12 education domain; teachers, students, administrators, subject matter experts, and parents.

The Group's comprehensive Education Services Portal ("ESP") is a natural extension of CERSP, and helps to organize the wealth of teaching, learning, and administrative resources available through CERSP at the individual school level.

CERSP is the equivalent of a mega-portal. It is designed to be accessible by everyone associated with K-12 education across China and loaded with robust features and resources that enable the development, delivery, and support of resources and activities related to the national K-12 education reform initiative. CERSP is a primary venue for teacher training in schools, districts, cities, and provinces. It is also the aggregator for subject matter experts in all K-12 subject areas and a place where they can gather virtually to improve upon the work they have done in response to national mandates.

ESP, on the other hand, is a commercial service for the K-12 education marketplace that extends the reach and relevance of the CERSP portal at the school and individual level. Its primary function is to support the administrative, teaching, learning, testing, and assessment needs of an individual school, and it does so in a way that is standardized, allowing for combined results to the district, city, province, or national level. CERSP can be regarded as a large "back-end" resource that greatly enriches each instance of ESP. ESP can be considered as a way to monetize the momentum of CERSP by creating a direct, revenue producing relationship with every school, administrator, teacher, parent and student that subscribes.

Currently, our ESP provides the following services:

(a) School Platform

The school platform provides a link between a school with its teachers, students and parents. Through the platform, the school can send messages to the teachers, students and parents. The teachers can upload homework and tests to the platform and the students can go to the platform to complete and submit their homework and write the tests. The school can automatically collect the markings received by each student. Each teacher and student has his or her own account number registered with the platform. Currently, the Group is adding mobile learning solutions to the School Platform for both of the students and teachers.

(b) Online tutoring program

Online tutoring program is a platform developed for a teacher to provide online tutoring services through the internet to his or her students. This program still has not started to generate revenue. Students have to prepay for the services to TTTC and TTTC pays the net amount to the teachers after deducting our share of revenue.

(c) Digital education products

Digital education products are the products containing digital textbook tutorial materials, digital supplementary materials such as lesson plans, course modules and tests. CER has had more than 100,000 lesson plans, course modules and continues to develop the materials.

The Group, through TTTC, acquired a 60% interest ZYCY, a distributor of education products in China for RMB6,000,000 (\$878,460) paid in 2,860,000 shares of common stock of the CER at a deemed value of CND0.35 (\$0.30) per share. On top of increasing its book selling business, the Group can also strengthen its sales and distribution of its national CERSP and ESP web portal services in China through the sales team of ZYCY.

Due to the size of the Group, the provision of education internal portal services and distribution of educational textbooks and materials were considered in one segment based on the organizational structure, strategies, decision making and the availability of financial information.

Four Step Growth and Revenue Strategy

The Group has implemented a four-step growth and revenue strategy which is now being commercialized and expanded nationwide.

The first step of the strategy involves working with various levels of government to deliver government-funded online teacher training programs. The Group has developed more than 2,000 online teacher training courses for the continuous education of teachers. This means teachers can obtain government certificates upon successful completion of any of these courses through national, provincial and municipal teacher training programs. 1.8 million K-12 teachers were trained in the Group's teacher training programs. CER, through its subsidiaries in China, is endorsed by China's Ministry of Education ("MOE") for national level online teacher training programs.

The second step of the strategy involves integrating the Group's products and services into teachers' daily routines. This will allow teachers to interact and communicate with each other while establishing a close relationship with the Group and its products. These products include online teacher training, professional development and sharing of lesson plans. The CERSP portal is one of the largest and most popular K-12 teacher blog systems in China with more than one million registered and active K-12 teachers. The CERSP portal has developed into a strong national brand and it has a reputation for offering best-in-class online learning products and services. The first two steps are well underway and are expanding into more provinces.

The third step involves promoting products directly to teachers through CER's School Platform. The School Platform provides a link between a school with its teachers, students and parents. Through the platform, the school can send messages to the teachers, students and parents. The teachers can upload homework and tests to the platform and the students can go to the platform to complete and submit their homework and write the tests. The school can automatically collect the markings received by each student. Each teacher and student has his or her own account number registered with the platform.

The fourth step of the growth strategy is to target students by offering a number of products and services. This includes offering our collection of online tutoring courses, customized education resources, formative assessment tools and education games. Currently, CER is adding mobile learning solutions to both of the students and teachers.

Please refer to the Outlook section at the end of this MD&A on the current achievement made by the Group.

OVERALL PERFORMANCE

During the three months ended March 31, 2020, the Group generated revenue of \$599,274 as compared with \$1,886,379 for the same period of last year. The net loss attributable to the shareholders of the Group for the period was \$329,551 as compared with net income attributable to the shareholders of \$86,235 for the same period of last year. The net loss per share was \$0.01 for the three months ended March 31, 2020 as compared to net earnings per share of \$0.00 for comparable period ended March 31, 2019.

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 us 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.

Selected Annual Information

	2019	2018	2017
Total revenue	\$ 9,390,402	\$ 11,863,341	\$ 11,825,995
Net (loss) income	(353,239)	(210,367)	1,403,009
Net (loss) income per share	(0.01)	(0.00)	0.03
Total assets	7,134,923	7,788,227	9,101,643
Long-term liabilities	72,364	-	-

The increase in net loss for 2019 compared to 2018 was mainly due to the decrease in revenue from online products, the decrease in revenue from online products was mainly due to the delay in conducting teacher training by some cities in China.

The Group changed from a net income position in 2017 to a net loss position in 2018. This was mainly due to the increase in cost of sales from book sales and distribution services as a result of increase in printing costs.

Results of Operations

For the three months ended March 31, 2020:

For the three months ended March 31, 2020, the Group reported aggregate sales revenue of \$599,274 (2019: \$1,886,379). The revenue from book sales and distribution service was \$497,082 and revenue from online products was \$102,192. There was a decrease in revenue

from both book sales and distribution service and revenue from online products for the current quarter as compared to the same period in 2019. The decrease in revenue was mainly due to the slowdown in economic activities in China due to the COVID-19 disease.

The following is a discussion of certain expense categories:

General and administrative expenses

For the three months ended March 31, 2020, general and administrative expenses were \$346,450 as compared to \$325,480 for the same period in 2019. The increase was mainly due to the increase in salaries, wages, commission and benefits of \$191,801 as compared to \$134,369 for the same period in 2019.

Accounting and audit were \$35,317 for the three months ended March 31, 2020 as compared to \$36,497 for the same period in 2019.

Consulting expense were \$33,906 for the three months ended March 31, 2020 as compared to \$34,300 for the same period in 2019.

Salaries, wages, commission and benefits were \$191,801 for the three months ended March 31, 2020 as compared to \$134,369 for the same period in 2019. The increase was mainly due to TTTC has increased the number of staff on the marketing and promotion of soccer programs.

Depreciation

The depreciation was \$16,251 for the three months ended March 31, 2020 as compared to \$8,357 for the same period in 2019.

Selling and marketing expenses

The selling and marketing expenses were \$160,585 for the three months ended March 31, 2020, which were decreased as compared to \$638,690 incurred in the same period in 2019. The decrease was mainly due to the decrease in promotion activities and cost of printing promotional materials.

Finance cost

The Group incurred net finance costs of \$8,252 for the three months ended March 31, 2020 as compared to net finance income of \$3,477 for the same period of 2019. The increase in finance costs was mainly due to the increase in loan interest of \$13,323 for the three months ended March 31, 2020 as compared to \$10,784 for the same period in 2019.

SUMMARY OF QUARTERLY AND ANNUAL RESULTS

All amounts are expressed in United States dollars. In addition, all amounts are in thousands except for per share amounts.

	For the Quarters Ended			
	3/31/2020	12/31/2019	9/30/2019	6/30/2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	599	2,403	850	4,251
Net income (loss) for the period	(406)	(950)	(177)	611
Net income (loss) per share	(0.01)	(0.02)	(0.00)	0.01
Total assets	6,405	7,135	8,298	9,846
Total liabilities	6,876	7,378	7,648	8,911

	For the Quarters Ended			
	3/31/2019	12/31/2018	9/30/2018	6/30/2018
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	1,886	2,232	1,519	5,361
Net income (loss) for the period	163	(1,353)	(417)	1,479
Net income (loss) per share	0.00	(0.03)	(0.00)	0.02
Total assets	7,324	7,788	10,426	11,905
Total liabilities	6,872	7,527	8,997	9,906

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Working capital deficit increased by \$218,584 to \$552,714 at March 31, 2020 from \$334,130 at the beginning of the year, primarily as a result of the increase in loans payable during the current period.

Cash used in operating activities was \$798,195 for the period ended March 31, 2020, compared to \$2,511,810 for the period ended March 31, 2019.

Cash used in investing activities was \$nil for the period ended March 31, 2020, compared to \$115 for the period ended March 31, 2019.

Cash provided by financing activities was \$332,435 for the period ended March 31, 2020, compared to \$344,635 for the period ended March 31, 2019.

At March 31, 2020, accounts and other receivables decreased to \$3,429,365 from \$3,774,147 at December 31, 2019. The decrease was mainly due to the collection of some outstanding receivables.

The Group has increased its types of services provided through its education service portal. The revenue of the Group is expected to increase through providing additional services to the

customers. The Group also plans to have equity or debt financing to maintain the Group's capacity, meet planned growth and fund development activities.

Equipment

At March 31, 2020, the Group's net equipment cost was \$48,760 as compared to \$56,775 as at December 31, 2019. This decrease was mainly attributed to the depreciation of \$7,145 for the current period.

Liabilities

The Group's total liabilities were \$6,875,745 as at March 31, 2020, compared to \$7,378,184 as at December 31, 2019. The decrease was mainly due to the decrease in trade and other payables and lease obligation of the current period.

Shareholders' Equity

There was a deficiency of \$1,193,795 as at March 31, 2020 as compared to \$1,057,421 as at December 31, 2019, which included the net loss attributable to shareholders of \$329,551 for the period ended March 31, 2020 as compared to net income attributable to shareholders of \$86,235 for the same period in 2019.

Outstanding share data

The Group's common shares outstanding as at July 13, 2020 were 47,364,983.

At July 13, 2020, the Group has outstanding stock options of 3,700,000. Details are as follows:

Exercise Prices (CND)	Number	Expiry Date
\$ 0.10	2,700,000	November 25, 2020
\$ 0.14	<u>1,000,000</u>	May 29, 2022
	<u>3,700,000</u>	

As at July 13, 2020, there were no outstanding stock purchase warrants.

Dividend

The payment of dividends to shareholders will depend on a number of factors such as earnings, CER's financial requirements and other factors that the Board of Directors considers relevant in the circumstances. The Group currently does not have intention to pay dividends on the common shares. The Board of Directors will review this policy, from time to time, as circumstances change. To date, CER has not declared or paid any dividends on any of its shares.

OFF-BALANCE SHEET ARRANGEMENTS

The Group does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

All related party transactions 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 March 31, 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.

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	
		March 31,	
		2020	2019
C F Zhou (director and CEO)	Consulting fees (i)	\$ 33,906	\$ 34,300
C F Zhou (director and CEO)	Interest expense (ii)	4,524	4,527
Danny Hon (director and CFO)	Accounting fees (iii)	15,614	15,044
Danny Hon (director and CFO)	Interest expense (iv)	1,948	1,949
		<u>\$ 55,993</u>	<u>\$ 55,819</u>

Director/Officer	Balance	March 31,	December 31,
		2020	2019
C F Zhou (director and CEO)	Consulting fees payable (i)	\$ 1,348,575	\$ 1,437,960
C F Zhou (director and CEO)	Loan payable (ii)	114,682	125,269
C F Zhou (director and CEO)	Loan interest payable (ii)	124,726	131,556
Danny Hon (director and CFO)	Accounting fees payable (iii)	574,594	613,471
Danny Hon (director and CFO)	Loan payable (iv)	49,378	53,936
Danny Hon (director and CFO)	Loan interest payable (iv)	63,455	67,295
		<u>\$ 2,275,409</u>	<u>\$ 2,429,488</u>

(i) The consulting fees owing to C F Zhou as at March 31, 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 March 31, 2020, there was an interest payable balance of \$124,726 (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 March 31, 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 March 31, 2020, there was an interest payable balance of \$63,455 (December 31, 2019: \$67,295) owed to Danny Hon.

AREAS OF ASSUMPTIONS 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 March 31, 2020, impairment allowance is \$860,065 (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.

(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 March 31, 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 are 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 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.

RISK AND UNCERTAINTY FACTORS

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

The Group has recognized a net loss attributable to shareholders of \$329,551 (2019: net income attributable to shareholders of \$86,235) for the period ended March 31, 2020 and has incurred a cumulative loss of \$34,347,491 since inception. The Group's future business plan includes the further development and operation of CER's education service portal and soccer education program. The Group's ability to continue as a going concern is depending upon achieving acceptance by the users and profitable level of operations of the education service portal and on the ability to obtain necessary financing to fund our operations. The outcome of these matters cannot be predicted at this time.

Seasonality

Historically in its traditional distribution business, the operations of the business are highly seasonal. The Group is attempting to lessen the seasonality of the business by expanding its business into other related areas in the education sector through its internet education service portals.

Reliance on Government Relationships

The Group is relying upon continued good working relationships and acceptance from both the national and regional governments it works with. If the CERSP portal was no longer acceptable or it failed to meet acceptable government standards for the K-12 sector, it would seriously impact the continued successful deployment of the CERSP portal and education service portal.

Tax and Legal Systems in China

The Group, through its subsidiaries, conducts a significant amount of its business in China. China currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and payroll (social) taxes, together with others. Laws related to these taxes have not been in force for a significant period, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that the relevant authorities could take different positions with regard to interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review.

Competition

Foreign direct investment in China has increased rapidly and the investment environment has further improved to encourage foreign and local investors to invest in fields, such as education, high-tech, modern agriculture and infrastructure construction. A number of large companies are involved in the publishing and distribution of educational products in the mainstream areas of math, science and language arts. There is no guarantee that other competitors will not become involved in business similar to that of the Group.

Management

The Group currently has a small executive management group, which is sufficient for its present stage of development. Although the Group's development to date has largely depended and in the future will continue to depend upon the efforts of certain current executive management, the loss of a member of this group could have a material adverse effect on the Group.

Funds Remittance

Provided that conversion of Renminbi into foreign exchange and the remittance of foreign exchange are duly arranged in accordance with the relevant laws and regulations on foreign exchange, a Foreign Investment Enterprise ("FIE") is able to remit dividends and other payments from China.

According to the 1999 Circular on Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses out of China Through Designated Foreign Exchange Banks, effective from October 1, 1999, an FIE is permitted to remit profits, dividends and bonuses out of China in proportion to the amount of registered capital that has been paid up, notwithstanding that its registered capital has not been paid up pursuant to its constitutional documents.

Financial Instruments

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables (excluding GST receivables), due from related parties, long term other receivable, and trade and other payables.

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

(a) Credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At March 31, 2020, the Group had a working capital deficit of \$552,714 (December 31, 2019: \$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.

(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 March 31, 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.

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 consolidated financial statements as at December 31, 2019.

New standards and interpretations adopted during the period

The Group adopted the following new standards 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.

New standards and interpretations not yet adopted during the period

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.

CONTINGENT LIABILITY

In late November 2019, a local Chinese company (“plaintiff”) filed a legal claim in China against TTTC for RMB5,820,000 (\$821,318) 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.

OUTLOOK

The Group's objective is to provide the leading kindergarten to grade 12 education service platform, content provider and social networking system in China's education sector. The Group provides a wide range of services to government education authorities, schools, teachers, students and their parents.

As part of our four-step growth and revenue strategy, the Group has achieved the followings:

CER has developed digital textbooks and started to provide the digital textbooks to the students in China. This is a significant step for CER to combine the Group's internet portal with traditional textbooks, which also provides significant opportunities for CER's textbook business.

The Group has developed more than 2,000 online teacher training courses for the continuous education of teachers and also developed more than 100,000 K-12 online lesson plans and is continuing to develop new educational content and upgrade the technology and functions of its portal.

CER, together with its partners, has completed the most comprehensive high-quality soccer textbooks with online/offline solutions for soccer education program. The soccer textbooks include thirteen student textbooks (one book per grade) and four teacher's books used for teaching the student soccer textbooks. The textbook set also comes with soccer training video contents for students and teachers.

The online training platform of soccer education provides a vertically blended learning, teaching, research and management system for "student-teacher-school-parent community"; it highlights the central role of personal studio and provides various forms of curriculum resources and interactive learning tools. Users can select courses and services and combine the forces of district, school, class and individual to accommodate different levels of learning, teaching and research activities. Users can scan the QR code on the soccer textbooks to enter the learning & training platform via their mobile phones.

Work with the sports companies of Spain and U.K., CER can arrange registered UEFA soccer coaches to go to China for face-to-face tutoring and teaching on soccer training activities to Chinese students and local coaches, or arrange Chinese students to go to overseas for soccer summer camp programs. These activities will be available for different ages of students.

Soccer education has emerged as a new horizon in China education sector and is rapidly spreading throughout China. Soccer game is very popular in China and the Chinese central government has announced the China School Soccer Master Plan in 2015 and declared soccer as a national priority and harbors an ambition to see the country host and win the World Cup. It

is the first time ever in China that it introduces soccer textbook to China K to 12 school system as mandatory courses. As a result, Chinese students urgently need leading edge soccer education materials from the latest international soccer industry.

Chinese central government has announced the development plan of China sports industry to achieve \$800 billion or more by 2025, and the biggest segment is soccer. Management believes that CER will benefit from the China soccer market through providing various types of soccer education programs.

Through our comprehensive high-quality textbooks, video contents, training programs, on-line platform and smart phone technology, CER will out-perform our competitors with our total solutions to both the students and teachers in soccer learning and training in China.

We are excited of the great opportunity to integrate the functions of our online teacher training platform and school platform, and provide a unique blended online/offline contents and services to teachers and students for soccer education program. We expect it will generate more revenue to CER.

Due to the COVID-19 disease, the progress of certain programs, including soccer education and some after school education, has been delayed. Following the gradual recovery of economy in China after the peak period of COVID-19 disease, we expect that progress will be made in the near future.