

China Education Resources Inc.

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

Period Ended March 31, 2014

(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 in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Financial Position
March 31, 2014 and December 31, 2013

(Expressed in U.S. Dollars)

| As AT | Note | March 31, 2014 (Unaudited) | December 31, 2013 (Audited) |
|---|------|----------------------------------|-----------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | \$ 730,921 | \$ 1,202,017 |
| Accounts and other receivables | 7 | 4,734,112 | 5,375,147 |
| Prepaid expenses and deposits | | 113,466 | 31,694 |
| Total current assets | | 5,578,499 | 6,608,858 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 98,282 | 100,237 |
| Goodwill | 9 | - | - |
| Total non-current assets | | 98,282 | 100,237 |
| Total assets | | \$ 5,676,781 | \$ 6,709,095 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | \$ 3,115,292 | \$ 4,627,999 |
| Deferred revenue | | 58,104 | 67,597 |
| Income taxes payable | | 2,981,811 | 3,028,217 |
| Bank loan - current portion | 15 | 25,786 | 25,226 |
| Loan payables | 14 | 459,930 | 281,573 |
| Loan payables - related parties | 20 | 433,442 | 467,753 |
| Due to related parties | 20 | 1,077,661 | 1,056,355 |
| Total current liabilities | | 8,152,026 | 9,554,720 |
| Non-current liabilities | | | |
| Bank loan | 15 | - | 7,100 |
| Total non-current liabilities | | - | 7,100 |
| Total liabilities | | 8,152,026 | 9,561,820 |
| Shareholders' Equity | | | |
| Share capital | 10 | 29,455,512 | 29,455,512 |
| Contributed surplus | | 2,559,649 | 2,559,649 |
| Accumulated other comprehensive income (loss) | | 225,498 | 140,488 |
| Deficit | | (35,495,362) | (35,597,256) |
| Total shareholders' equity (deficiency) attributable to shareholders' of the Company | | (3,254,703) | (3,441,607) |
| Non-controlling interest | | 779,458 | 588,882 |
| Total equity (deficiency) | | (2,475,245) | (2,852,725) |
| Total liabilities and shareholders' equity | | \$ 5,676,781 | \$ 6,709,095 |

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 Comprehensive Income (Loss)
For the three months ended March 31, 2014 and 2013
(Unaudited)

(Expressed in U.S. Dollars)

| | Note | 2014 | 2013 |
|--|------|------------|--------------|
| Revenue | | | |
| Book sales and distribution services | | \$ 976,687 | \$ 819,325 |
| Online products | | 1,468,728 | 1,584,044 |
| Other | | 11,889 | - |
| | | 2,457,304 | 2,403,369 |
| Cost of sales | | | |
| Book sales and distribution services | | (318,021) | (324,329) |
| Online products | | (521,558) | (729,181) |
| Gross profit | | 1,617,725 | 1,349,859 |
| Amortization | | (4,961) | (3,213) |
| General and administrative | | (311,355) | (428,161) |
| Selling expenses | | (960,584) | (890,246) |
| Share-based payment | 12 | - | (26,906) |
| Operating profit | | 340,825 | 1,333 |
| Finance income | | 5,710 | 2,143 |
| Finance costs | | (27,272) | (50,913) |
| Net finance costs | | (21,562) | (48,770) |
| Net income (loss) before income taxes | | 319,263 | (47,437) |
| Income taxes | | - | (33,821) |
| Net income (loss) for the period | | 319,263 | \$ (81,258) |
| Other comprehensive income for the period, net of income taxes | | | |
| Unrealized exchange gain (loss) on translation of foreign operations | | 58,217 | 27,067 |
| Other comprehensive income for the period, net of income tax | | 58,217 | 27,067 |
| Comprehensive income (loss) for the period | | \$ 377,480 | \$ (54,191) |
| Net income (loss) attributable to: | | | |
| Shareholders of the Company | | \$ 101,894 | \$ (246,079) |
| Non-controlling interest | | 217,369 | 164,821 |
| Net income (loss) for the period | | \$ 319,263 | \$ (81,258) |
| Comprehensive income (loss) attributable to: | | | |
| Shareholders of the Company | | \$ 186,904 | \$ (220,608) |
| Non-controlling interest | | 190,576 | 166,417 |
| Comprehensive income (loss) for the period | | \$ 377,480 | \$ (54,191) |
| Income (Loss) per share | | | |
| Basic and diluted income (loss) per share | 11 | \$ 0.00 | \$ (0.01) |
| Weighted average number of common shares used to calculate basic and diluted income (loss) per share | | | |
| | | 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 three months ended March 31, 2014 and year ended December 31, 2013
(Unaudited)

| (Expressed in U.S. Dollars) | Attributable to equity holders of the Company | | | | | Total | Non- controlling interest | Total equity |
|---|---|------------------|------------------------|--------------------------------------|-----------------|----------------|---------------------------------|-----------------|
| | Number of Shares | Share Capital | Contributed Surplus | Cumulative translation account | Deficit | | | |
| Balance January 1, 2013 | 47,364,983 | \$ 29,455,512 | \$ 2,488,639 | \$ (21,749) | \$ (32,878,896) | \$ (956,494) | \$ 319,187 | \$ (637,307) |
| Net loss for the three months ended March 31, 2013 | - | - | - | - | (246,079) | (246,079) | 164,821 | (81,258) |
| Foreign currency translation differences | - | - | - | 25,471 | - | 25,471 | 1,596 | 27,067 |
| Share-based payment | - | - | 26,906 | - | - | 26,906 | - | 26,906 |
| Balance March 31, 2013 | 47,364,983 | \$ 29,455,512 | \$ 2,515,545 | \$ 3,722 | \$ (33,124,975) | \$ (1,150,196) | \$ 485,604 | \$ (664,592) |
| Net loss for the period from April 1 to December 31, 2013 | - | - | - | - | (2,472,281) | (2,472,281) | 83,578 | (2,388,703) |
| Foreign currency translation differences | - | - | - | 136,766 | - | 136,766 | 19,700 | 156,466 |
| Share-based payment | - | - | 44,104 | - | - | 44,104 | - | 44,104 |
| Balance December 31, 2013 | 47,364,983 | \$ 29,455,512 | \$ 2,559,649 | \$ 140,488 | \$ (35,597,256) | \$ (3,441,607) | \$ 588,882 | \$ (2,852,725) |
| Net income for the three months ended March 31, 2014 | - | - | - | - | 101,894 | 101,894 | 217,369 | 319,263 |
| Foreign currency translation differences | - | - | - | 85,010 | - | 85,010 | (26,793) | 58,217 |
| Balance March 31, 2014 | 47,364,983 | \$ 29,455,512 | \$ 2,559,649 | \$ 225,498 | \$ (35,495,362) | \$ (3,254,703) | \$ 779,458 | \$ (2,475,245) |

(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 ended March 31, 2014 and 2013
(Unaudited)

(Expressed in U.S. Dollars)

| | 2014 | 2013 |
|---|-------------|-------------|
| Cash flows from operating activities | | |
| Income (Loss) for the period | \$ 319,263 | \$ (81,258) |
| Adjustments for: | | |
| Amortization | 4,961 | 3,213 |
| Share-based payment | - | 26,906 |
| Changes in accounts and other receivable | 525,386 | 839,909 |
| Changes in prepaid expenses and deposits | (77,119) | (552,432) |
| Changes in trade and other payables | (1,556,216) | (882,835) |
| Changes in income taxes payable | 209,085 | 6,755 |
| Changes in deferred revenue | (7,867) | (12,958) |
| | (582,506) | (652,700) |
| Interest paid | (70,310) | (2,503) |
| Taxes paid | - | (33,821) |
| Net cash used in operating activities | (652,817) | (689,024) |
| Cash flows used in investing activities | | |
| Acquisition of property, plant and equipment | (5,650) | (3,830) |
| Net cash used in investing activities | (5,650) | (3,830) |
| Cash flows from financing activities | | |
| Bank loan | (5,799) | - |
| Loan payables | 174,309 | 278,852 |
| Loan payables - related parties | (8,956) | 297,116 |
| Repayment from related parties | 58,903 | 72,607 |
| Net cash provided by financing activities | 218,456 | 648,575 |
| Net decrease in cash | (440,012) | (44,279) |
| Cash, beginning of the period | 1,202,017 | 580,377 |
| Effect of exchange rate fluctuations on cash held | (31,084) | 6,746 |
| Cash, end of the period | \$ 730,921 | \$ 542,844 |

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

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(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., V6B 6H5. The consolidated financial statements of the Company as at and for the period ended March 31, 2014 and December 31, 2013 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group provides an education internet portal with educational content, resources and training programs to users in People’s Republic of China (“China”) and distributes educational textbooks and materials developed by the Group to bookstores and schools in China.

2. Going Concern

As at March 31, 2014, the Group has working capital deficiency of \$2,573,527 (December 31, 2013: \$2,945,862). In addition, the Group has trade and other payables, bank loan, loan payables, loan payables - related parties, and due to related parties due to mature within the next twelve months in the amount of \$5,112,111 (December 31, 2013: \$6,458,906). As at March 31, 2014, the Group has cash balance of \$730,921 (December 31, 2013: \$1,202,017). The appropriateness of using the going concern basis is dependent upon, among other things, the acceptance of the education internet portal by the users to achieve a profitable level of operations by the Group. The outcome of these matters cannot be predicted at this time. Specifically, it is dependent upon the ability of the Group to obtain necessary financing.

The application of the going concern basis of presentation 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. There is, primarily as a result of the conditions described above, significant doubt as to the appropriateness of the use of the going concern assumption. The accompanying consolidated financial statements have been prepared on a going concern basis notwithstanding these conditions.

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

3. Basis of Preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. It does not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended December 31, 2013.

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(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 March 31, 2014. These financial statements were authorized to issue by the audit committee and Board of Directors of the Company on May 30, 2014. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2014 could result in restatement of these condensed interim consolidated financial statements.

(b) Basis of preparation

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

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

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (collectively, the "Group").

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. Changes in ownership interest in a subsidiary without loss of control are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions. A summary of the Company's subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Ownership interest | |
|--|--------------------------|--------------------|-------------------|
| | | March 31, 2014 | December 31, 2013 |
| CEN China Education Network Ltd. ("CEN Network") | Canada | 100% | 100% |
| China Education International Inc. (inactive) | BVI | 100% | 100% |
| CEN China Education Overseas Corporation (inactive) | BVI | 100% | 100% |
| CEN Smart Networks Ltd. ("CEN Smart") | China | 100% | 100% |
| Today's Teachers Technology & Culture Ltd. ("TTTC") | China | 100% | 100% |
| The Winning Edge Ltd. ("TWE") (inactive) | China | 100% | 100% |
| Zhong Yu Cheng Yuan Education Technology Ltd. ("ZYCY") | China | 60% | 60% |

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

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

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

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

Areas of assumptions and estimates

(i) Impairment of goodwill

Impairment exists when the carrying amount of a cash-generating unit (“CGU”) exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The key assumptions used to determine the recoverable amount are further explained in Note 7.

(ii) Allowance for doubtful accounts

The Group extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by actively pursuing past due accounts. As at March 31, 2014, allowance for doubtful accounts is \$105,971 (December 31, 2013 - \$105,971) based on management’s assessment of credit history with the customers and current relationships with them.

(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) Share-based payments

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

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

3. Basis of Preparation - Continued

(c) Use of estimates and judgments - Continued

Areas of judgment

(i) Going concern

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 2013 and 2012. 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.

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, 2013. 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, 2013.

5. New standards and interpretations adopted during the period

The Group adopted the following new standards during the period:

IFRS 7, Financial instruments: disclosures and IAS 32 Financial instruments: presentation

On January 1, 2014, the Company adopted IFRS 7. IFRS 7 clarifies that financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. Adoption of the standard did not have a significant impact on the financial statements of the Company.

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

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

Amendments to IAS 36, Impairment of assets

On January 1, 2014, the Company adopted amendments to IAS 36. The amendments to IAS 36 require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and do not have any impact on the financial statements of the Company.

6. New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the consolidated financial statements to be material.

IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

IFRS 9 Financial Instruments

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments – Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized costs and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. The tentative date of this standard is set for annual periods beginning on or after January 1, 2018 with early adoption permitted.

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

6. New standards and interpretations not yet adopted - Continued

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction, between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial instruments or IAS 39 Financial instruments: Recognition and measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial instruments: Presentation. The amendments are effective for annual periods beginning on or after July 1, 2014.

Amendments to IAS 24, Related Party Disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of this issuance did not have a significant impact on the Company's financial statements.

7. Accounts and Other Receivable

| | March 31, 2014 | December 31, 2013 |
|--------------------------|---------------------------|------------------------------|
| Trade receivables | \$ 4,316,724 | \$ 5,217,138 |
| Other receivables | 275,915 | 26,004 |
| Due from related parties | 141,473 | 132,005 |
| | <u>\$ 4,734,112</u> | <u>\$ 5,375,147</u> |

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

8. Property, Plant and Equipment

| | Computer equipment | Office equipment | Motor vehicles | Leasehold improvement | Website development | Total |
|--|-----------------------|---------------------|-------------------|--------------------------|------------------------|---------------------|
| Cost | | | | | | |
| Balance, at January 1, 2013 | \$ 495,733 | \$ 35,465 | \$ 363,643 | \$ 57,643 | \$ 3,377,969 | \$ 4,330,453 |
| Additions | 5,920 | 756 | - | - | - | 6,676 |
| Disposals | - | - | - | - | - | - |
| Effect of movements in exchange rates | 29,503 | 648 | 10,481 | 1,677 | 108,382 | 150,691 |
| Balance, at December 31, 2013 | <u>\$ 531,156</u> | <u>\$ 36,869</u> | <u>\$ 374,124</u> | <u>\$ 59,320</u> | <u>\$ 3,486,351</u> | <u>\$ 4,487,820</u> |
| Balance, at January 1, 2014 | \$ 531,156 | \$ 36,869 | \$ 374,124 | \$ 59,320 | \$ 3,486,351 | \$ 4,487,820 |
| Additions | 5,546 | - | - | - | - | 5,546 |
| Disposals | - | - | - | - | - | - |
| Effect of movements in exchange rates | (13,711) | (959) | (10,034) | (1,555) | (100,491) | (126,750) |
| Balance, at March 31, 2014 | <u>\$ 522,991</u> | <u>\$ 35,910</u> | <u>\$ 364,090</u> | <u>\$ 57,765</u> | <u>\$ 3,385,860</u> | <u>\$ 4,366,616</u> |
| Accumulated depreciation | | | | | | |
| Balance, at January 1, 2013 | \$ 459,124 | \$ 10,704 | \$ 316,574 | \$ 54,761 | \$ 3,377,969 | \$ 4,219,132 |
| Depreciation for the year | 13,845 | 3,318 | 3,614 | 2,921 | - | 23,698 |
| Effect of movements in exchange rates | 12,922 | 13,699 | 8,112 | 1,638 | 108,382 | 144,753 |
| Balance, at December 31, 2013 | <u>\$ 485,891</u> | <u>\$ 27,721</u> | <u>\$ 328,300</u> | <u>\$ 59,320</u> | <u>\$ 3,486,351</u> | <u>\$ 4,387,583</u> |
| Balance, at January 1, 2014 | \$ 485,891 | \$ 27,721 | \$ 328,300 | \$ 59,320 | \$ 3,486,351 | \$ 4,387,583 |
| Depreciation for the year | 2,530 | 1,002 | 894 | - | - | 4,426 |
| Impairment loss | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Effect of movements in exchange rates | (12,676) | (661) | (8,292) | (1,555) | (100,491) | (123,675) |
| Balance, at March 31, 2014 | <u>\$ 475,745</u> | <u>\$ 28,062</u> | <u>\$ 320,902</u> | <u>\$ 57,765</u> | <u>\$ 3,385,860</u> | <u>\$ 4,268,334</u> |
| Carrying amounts | | | | | | |
| At December 31, 2013 | <u>\$ 45,265</u> | <u>\$ 9,148</u> | <u>\$ 45,824</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100,237</u> |
| At March 31, 2014 | <u>\$ 47,246</u> | <u>\$ 7,848</u> | <u>\$ 43,188</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 98,282</u> |

China Education Resources Inc.
Notes to the Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended March 31, 2014
(Unaudited)

9. Goodwill

Goodwill represents the amount recognized on the acquisition of 90% equity interest in TTTC in previous year. On September 1, 2011, the Group acquired the remaining 10% equity interest in TTTC for a nominal amount. This transaction is accounted for within equity, whereas no goodwill is recognized. Goodwill acquired through business acquisition of 90% equity interest in TTTC has been allocated it to TTTC, which is a cash generating unit (“CGU”) not a separate operating and reportable segment.

During the Group’s annual impairment test on goodwill for the year ended December 31, 2013, the Group recorded an impairment charge of \$2,221,441 (2012 - \$500,000). The charge is recorded as impairment of goodwill on the consolidated statements of comprehensive loss.

The recoverable amount of the TTTC CGU has been determined based on a value in use calculation using cash flow projections covering a three year period. The pre-tax discount rate applied to cash flow projection is 20% for the year ended December 31, 2013 and cash flows beyond the three year period are extrapolated using a 3.5% growth rate for the year ended December 31, 2013.

The calculations of value in use for TTTC CGU are most sensitive to the following assumptions:

- Gross margin - based on the historical gross margin achieved by TTTC
- Discount rates - represent the current market assessment of the risks specific to the CGU, taking into consideration of the time value.
- Growth rate used to extrapolate cash flows beyond the budget period - rates are based on published industry research

10. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the period ended March 31, 2014 and year ended December 31, 2013.

Common shares and preferred shares

At March 31, 2014, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares. No preferred shares have been issued to date.

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

Accumulated other comprehensive income (“AOCI”)

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

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11. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share for the period ended March 31, 2014 was based on the net income attributable to shareholders of the Company of \$101,894 (2013: net loss attributable to shareholders of the Company of \$246,079), and a weighted average number of common shares outstanding of 47,364,983 (2013: 47,364,983).

(b) Diluted earnings per share

For the period ended March 31, 2014, 1,924,000 share options (2013: 2,774,000), were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

12. Share Purchase Options and Warrants

(a) Stock options

At March 31, 2014, the Group has the following share-based payment arrangements:

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

No stock options were granted during the period ended March 31, 2014 and year ended December 31, 2013.

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

| | Number of Shares | Weighted Average Exercise Price Per Share (CND) |
|---|-----------------------------|--|
| Balance, December 31, 2012 | 3,324,000 | 0.68 |
| Expired during the period | (1,400,000) | 0.66 |
| Balance, March 31, 2014 and December 31, 2013 | 1,924,000 | 0.66 |

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12. Share Purchase Options and Warrants - Continued

(a) Stock options - Continued

The options outstanding at March 31, 2014 have an exercise price in the range of CND\$0.40 to CND\$1.05 (December 31, 2013: CND\$0.40 to CND\$1.05) and a weighted average contractual life of 1.94 years (December 31, 2013: 2.19 years).

There are 1,924,000 options exercisable at March 31, 2014 (December 31, 2013: 1,924,000), which have an exercise price in the range of CND\$0.40 to CND\$1.05 (December 31, 2013: CND\$0.40 to CND\$1.05) and a weighted average contractual life of 1.70 years (December 31, 2013: 1.75 years).

(b) Share purchase warrants

During the period ended March 31, 2014 and year ended December 31, 2013, the Company did not issue any warrants.

At March 31, 2014 and December 31, 2013, there were no outstanding warrants.

13. Trade and Other Payables

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------|------------------------------|
| Trade payables | \$ 2,645,669 | \$ 2,582,906 |
| Other payables | 32,726 | 191,964 |
| Non-trade payables and accrued expenses | 436,897 | 1,853,128 |
| | <u>\$ 3,115,292</u> | <u>\$ 4,627,998</u> |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 18.

14. Loans Payable

Terms and conditions of outstanding loans as at March 31, 2014 and December 31, 2013 from unrelated individuals were summarized as follows:

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14. Loans Payable - Continued

| | March 31, 2014 | | | |
|------------------|-----------------------|-------------------------------|----------------------------|---------------|
| | RMB | U.S. dollars equivalent | Annual interest rate | Due date |
| Unsecured loan | 340,000 | \$ 54,692 | 10% | 2015-01-12 |
| Unsecured loan | 960,000 | 154,426 | 10% | 2015-01-12 |
| Unsecured loan | 1,000,000 | 160,860 | 10% | 2014-12-31 |
| Unsecured loan | 500,000 | 80,430 | 20% | due on demand |
| Sub-total | 2,800,000 | \$ 450,408 | | |
| Interest payable | 59,192 | 9,522 | | |
| Total | 2,859,192 | \$ 459,930 | | |

| | December 31, 2013 | | | |
|--------------------|--------------------------|-------------------------------|----------------------------|-------------|
| | RMB | U.S. dollars equivalent | Annual interest rate | Due date |
| Secured loan (1) | 300,000 | \$ 49,557 | 20% | 12/31/2013 |
| Unsecured loan (2) | 300,000 | 49,557 | 20% | 9/1/2014 |
| Unsecured loan (2) | 800,000 | 132,152 | 20% | 9/1/2014 |
| Sub-total | 1,400,000 | \$ 231,266 | | |
| Interest payable | 304,533 | 50,307 | | |
| Total | 1,704,533 | \$ 281,573 | | |

- (1) The loan was matured on December 31, 2013 and secured by same amount of common stocks owned by officers of TTTC. The loan has been renewed subsequently and will be matured on December 31, 2014 at interest rate of 20%.
- (2) The loans were matured on January 9, 2014 and have been fully paid subsequently.

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15. Bank Loan

| | March 31, 2014 | | |
|--|-----------------------|-------------------------------|----------------------------|
| | RMB | U.S. dollars equivalent | Annual interest rate |
| Unsecured loan - Standard Chartered Bank | 160,302 | \$ 25,786 | 20.04% |
| Less: current portion | 160,302 | 25,786 | |
| Unsecured loan - long term portion | - | \$ - | |

| | December 31, 2013 | | |
|--|--------------------------|-------------------------------|----------------------------|
| | RMB | U.S. dollars equivalent | Annual interest rate |
| Unsecured loan - Standard Chartered Bank | 195,861 | \$ 32,326 | 20.04% |
| Less: current portion | 152,710 | 25,226 | |
| Unsecured loan - long term portion | 43,151 | \$ 7,100 | |

TTTC entered into the bank loan on April 30, 2012 with principal amount of \$64,208 (RMB 400,000), and the loan is repaid by monthly installments of RMB14,865, including principal and interest, until March 30, 2015.

16. Financial Instruments

Credit risk

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

| | Carrying amount | |
|-------------------------------|---------------------------|------------------------------|
| | March 31, 2014 | December 31, 2013 |
| Accounts and other receivable | \$ 4,734,112 | \$ 5,375,147 |
| Cash | 730,921 | 1,202,017 |
| | \$ 5,465,033 | \$ 6,577,164 |

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16. Financial Instruments – Continued

Credit risk - Continued

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

| | Carrying amount | |
|--------|---------------------------|------------------------------|
| | March 31, 2014 | December 31, 2013 |
| China | \$ 4,725,132 | \$ 5,366,946 |
| Canada | 8,980 | 8,201 |
| | \$ 4,734,112 | \$ 5,375,147 |

100% of the Group's revenue for the periods ended March 31, 2014 and 2013 were derived from customers located in China. Three (December 31, 2013: three) customer(s) represent in excess of 10% of accounts receivable at March 31, 2014. Three (2013: one) customer(s) represent in excess of 10% of total revenue for the period ended March 31, 2014. The Group's most significant customer accounted for \$2,189,050 of receivables carrying amount at March 31, 2014 (December 31, 2013: \$1,884,439).

The aging of receivables at the reporting date was:

| | March 31, 2014 | | December 31, 2013 | |
|--------------------------|-----------------------|------------|--------------------------|------------|
| | Gross amount | Impairment | Gross amount | Impairment |
| Past due within 3 months | \$ 3,369,447 | \$ - | \$ 2,303,017 | \$ - |
| Past due 4-6 months | 1,101,905 | - | 277,036 | - |
| Past due 7-12 months | 113,372 | - | 2,658,948 | - |
| More than 1 year | 149,388 | - | 136,146 | - |
| | \$ 4,734,112 | \$ - | \$ 5,375,147 | \$ - |

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16. Financial Instruments – Continued

Credit risk - Continued

The movement in the allowance for impairment in respect of accounts receivables during the year was as follows:

| | 2013 |
|------------------------|-------------------|
| Balance at January 1 | \$ 306,415 |
| Charge for the year | 103,336 |
| Utilized | <u>(306,415)</u> |
| Balance at December 31 | <u>\$ 103,336</u> |
| | 2014 |
| Balance at January 1 | \$ 103,336 |
| Charge for the year | - |
| Utilized | <u>(103,336)</u> |
| Balance at March 31 | <u>\$ -</u> |

Based on the historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of accounts receivables other than those specified.

Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

| (in US Dollars) | March 31, 2014 | | | December 31, 2013 | | |
|---|-----------------------|---------------------|-------------------|-----------------------|---------------------|-------------------|
| | CND | RMB | TOTAL | CND | RMB | TOTAL |
| Cash | \$ 643 | \$ 730,278 | \$ 730,921 | \$ 1,482 | \$ 1,200,535 | \$ 1,202,017 |
| Accounts and other receivables | 8,980 | 4,725,132 | 4,734,112 | 8,201 | 5,366,946 | 5,375,147 |
| Trade and other payables | (819,086) | (2,296,206) | (3,115,292) | (774,301) | (3,853,696) | (4,627,997) |
| Bank loan | - | (25,786) | (25,786) | - | (32,326) | (32,326) |
| Loan payables | - | (459,930) | (459,930) | - | (281,573) | (281,573) |
| Loan payables - related parties | (272,582) | (160,860) | (433,442) | (254,479) | (213,274) | (467,753) |
| Due to related parties | (1,077,661) | - | (1,077,661) | (1,056,355) | - | (1,056,355) |
| Gross statements of financial position exposure | <u>\$ (2,159,706)</u> | <u>\$ 2,512,628</u> | <u>\$ 352,922</u> | <u>\$ (2,075,452)</u> | <u>\$ 2,186,612</u> | <u>\$ 111,160</u> |

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16. Financial Instruments – Continued

Sensitivity analysis

The Company is exposed to the financial risk related to the fluctuations of foreign exchange rates. A significant change in the currency exchange rates between the Renmenbi (“RMB”) relative to the U.S. dollars, and between the Canadian dollars (“CND”) relative to the U.S. dollars could have an effect on the Company’s results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

An increase (decrease) of 10% in the exchange rate between the RMB and the U.S. dollars would have increased other comprehensive income by \$54,342 (March 31, 2013 - \$6,926). An increase (decrease) of 10% in the exchange rate between the CND and the U.S. dollars would have decreased other comprehensive income by \$13,223 (March 31, 2013 - \$15,052).

Interest rate risk

The fluctuation of interest rate has minimal impact on the Group as most of the financial instruments are not interest bearing.

Fair values

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

Level 1 - fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

Level 2 - fair value measurements are derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability directly or indirectly.

Level 3 - fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at March 31, 2014, cash is assessed to be level 1 instrument.

The fair values of accounts and other receivables, trade and other payables, bank loan – current portion, due to related parties, loan payables-related parties, and loan payables approximate their carrying value due to their short-term nature.

The fair values of bank loan – long term are determined using discounted cash flows at prevailing market rates and the fair values are considered to approximate carrying value.

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17. Determination of Fair Values

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

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

18. 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, trade and other receivables, due from related parties, long term other receivable, and trade and other payables.

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

(a) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to cash and accounts and other receivables. The Group has no significant concentration of credit risk arising from operations. Other receivables mainly consist of an advance to a third party for project development, as well as goods and services tax due from the Federal Government of Canada, interest receivable and amounts advanced to employees and others. Management assesses the credit risk concentration with respect to accounts receivable and other receivables annually and adjusts them according.

(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, 2014, the Group had a working capital deficiency of \$2,573,527 (December 31, 2013: \$2,945,862). 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.

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18. Financial Risk Management - Continued

(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

Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The majority of the Group's assets, liabilities, revenues and expenses are denominated in Chinese Renminbi ("RMB"), which was tied to the U.S. dollar and is now tied to a basket of currencies of China's largest trading partners, is not a freely convertible currency. The appreciation of the RMB against the U.S. dollar would result in an increase in the assets, liabilities, revenues and expenses of the Group and a foreign currency gain included in comprehensive income. Conversely, the devaluation of the RMB against the US dollar would result in a decrease in the assets, liabilities, revenues and expenses of the Group and a foreign currency loss included in comprehensive income.

The Company's functional currency is the Canadian dollar and the functional currencies of its subsidiaries are RMB. The Group maintains Chinese RMB bank accounts in China to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

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

(d) Capital management

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

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18. Financial Risk Management – Continued

(d) Capital management – Continued

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

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

| | <u>March 31,</u> <u>2014</u> | <u>December 31,</u> <u>2013</u> |
|---------------------------|---------------------------------|------------------------------------|
| Total liabilities | \$ 8,152,026 | \$ 9,559,820 |
| Less: cash | (730,921) | (1,202,017) |
| Net debt | <u>\$ 7,421,105</u> | <u>\$ 8,357,803</u> |
| | | |
| Total equity (deficiency) | <u>\$ (2,475,245)</u> | <u>\$ (2,852,725)</u> |
| | | |
| Debt to capital ratio | (3.00) | (2.93) |

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

There were no changes in the Group's approach to capital management during the period ended March 31, 2014 and year ended December 31, 2013. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

19. 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.

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19. Operating Segments - Continued

Geographical segments

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

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

| Period ended March 31, 2014 | Canada | China | Total |
|------------------------------------|---------------|--------------|--------------|
| Revenue from external customers | \$ - | \$ 2,457,304 | \$ 2,457,304 |
| Property, plant and equipment | 238 | 98,044 | 98,282 |

| Period ended March 31, 2013 | Canada | China | Total |
|------------------------------------|---------------|--------------|--------------|
| Revenue from external customers | \$ - | \$ 7,391,934 | \$ 7,391,934 |
| Property, plant and equipment | - | 111,321 | 111,321 |
| Goodwill | - | 2,305,805 | 2,305,805 |

20. 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 16.9% percent of the voting shares of the Group.

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

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20. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

| Director/Officer | Transaction | March 31, | |
|------------------------------|----------------------|------------------|------------------|
| | | 2014 | 2013 |
| C F Zhou (director and CEO) | Salary and benefits | \$ - | \$ 2,105 |
| C F Zhou (director and CEO) | Consulting fees | 41,332 | 43,239 |
| C F Zhou (director and CEO) | Interest expense | 5,298 | 3,589 |
| Danny Hon (director and CFO) | Accounting fees (ii) | 19,941 | 21,818 |
| Danny Hon (director and CFO) | Interest expense | 2,516 | 2,753 |
| | | <u>\$ 69,087</u> | <u>\$ 73,504</u> |

| Director/Officer | Transaction | Balance outstanding | |
|------------------------------|------------------------------|---------------------|---------------------|
| | | March 31, 2014 | December 31, 2013 |
| C F Zhou (director and CEO) | Salary and benefits | \$ - | \$ 228,542 |
| C F Zhou (director and CEO) | Consulting fees | 753,436 | 511,561 |
| C F Zhou (director and CEO) | Loan payable (i) | 144,305 | 129,278 |
| C F Zhou (director and CEO) | Loan interest payable (i) | 32,795 | 28,586 |
| Danny Hon (director and CFO) | Accounting fees payable (ii) | 324,225 | 316,252 |
| Danny Hon (director and CFO) | Loan payable (iii) | 67,903 | 70,564 |
| Danny Hon (director and CFO) | Loan interest payable (iii) | 27,580 | 26,051 |
| | | <u>\$ 1,350,243</u> | <u>\$ 1,310,834</u> |

- (i) During the period ended March 31, 2014, the Group has received short term loan of CND \$22,000 from C F Zhou, director and CEO of the Group (During the year ended December 31, 2013 - CDN \$50,000). The short-term loans were unsecured and due on demand with an annual interest rate of 15%. At March 31, 2014, there was an interest payable balance of \$32,795 (December 31, 2013: \$28,586) owed to director of the Group.
- (ii) The Group engaged a company, which is controlled by Danny Hon, to provide accounting services.
- (iii) During the period ended March 31, 2014, the Group has received short term loan of CND \$nil from Danny Hon, director and CFO of the Group (During the year ended December 31, 2013 - CND \$nil). The short-term loans were unsecured and due on demand with an annual interest rate of 15%. At March 31, 2014, there was an interest payable balance of \$27,580 (December 31, 2013: \$26,051) owed to director of the Group.

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20. Related Parties Transactions - Continued

Unsecured loan payables

The Group had the following loan payables to the key management personnel of the Group with the terms and conditions summarized as follows:

| | March 31, 2014 | | | | |
|--|-----------------------|-------------------------|--------------------------------|-----------------------------|-----------------|
| | RMB | Canadian dollars | U.S. dollars equivalent | Annual interest rate | Due date |
| Unsecured loan payables | | | | | |
| Chenggang Zhou (director of TTTC) [i] | ¥ 700,000 | - | \$ 112,602 | 9% | 7/27/2014 |
| Weiguo Mu (minority shareholder of ZYCY) | 300,000 | - | 48,258 | 10% | 1/12/2015 |
| | <u>¥ 1,000,000</u> | | <u>\$ 160,860</u> | | |
| Interest payable | <u>¥ -</u> | | <u>\$ -</u> | | |

| | December 31, 2013 | | | | |
|--|--------------------------|-------------------------|--------------------------------|-----------------------------|-----------------|
| | RMB | Canadian dollars | U.S. dollars equivalent | Annual interest rate | Due date |
| Unsecured loan payables | | | | | |
| Chenggang Zhou (director of TTTC) [i] | ¥ 700,000 | | \$ 115,633 | 9% | 7/27/2014 |
| Weiguo Mu (minority shareholder of ZYCY) | 500,000 | | 82,595 | 20% | due on demand |
| | <u>¥ 1,200,000</u> | | <u>\$ 198,228</u> | | |
| Interest payable | <u>¥ 91,082</u> | | <u>\$ 15,046</u> | | |

Other related party transactions

| | March 31, 2014 | December 31, 2013 |
|--|-----------------------|--------------------------|
| Amount due from a company related to the non-controlling shareholders of ZYCY [ii] | \$ 122,134 | \$ 132,005 |

[i] During the year ended December 31, 2013. Chenggang Zhou, director of TTTC, borrowed the loan with annual rate of 9% from Bank of Merchant under his name to finance TTTC's daily activities. The loan is secured by his personal assets.

[ii] It represents the amount collected on behalf of the Group by a company related to the non-controlling shareholders of ZYCY as non-secured and non-interest bearing short-term loan.