

China Education Resources Inc.

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

**Period Ended June 30, 2017
(Unaudited)**

Management's Responsibility for Financial Reporting

The accompanying unaudited condensed interim consolidated financial statements of China Education Resources Inc. were prepared by management in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Financial Position
June 30, 2017 and December 31, 2016

(Expressed in U.S. Dollars)

AS AT	Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets			
Current assets			
Cash and cash equivalents		\$ 496,147	\$ 3,844,356
Accounts and other receivables	7	10,177,212	3,861,590
Prepaid expenses and deposits		429,469	103,837
Total current assets		11,102,828	7,809,783
Non-current assets			
Plant and equipment	8	125,798	97,902
Total non-current assets		125,798	97,902
Total assets		\$ 11,228,626	\$ 7,907,685
Liabilities			
Current liabilities			
Trade and other payables	12	\$ 5,956,963	\$ 4,557,755
Deferred revenue		8,637	285,355
Taxes payable		1,467,864	1,544,785
Advance from a third party	13	200,586	217,047
Loans payable	14	862,893	355,235
Bank loan	15	294,980	287,480
Loans payable - related parties	20	303,301	287,689
Due to related parties	20	1,595,195	1,437,626
Total current liabilities		10,690,419	8,972,972
Shareholders' Deficiency			
Share capital	9	29,455,512	29,455,512
Contributed surplus		2,711,731	2,624,782
Accumulated other comprehensive income		806,693	875,723
Deficit		(33,481,136)	(34,749,941)
Total shareholders' deficiency attributable to shareholders' of the Company		(507,200)	(1,793,924)
Non-controlling interest		1,045,407	728,637
Total deficiency		538,207	(1,065,287)
Total liabilities and shareholders' deficiency		\$ 11,228,626	\$ 7,907,685

Approved by the Board:

"Chengfeng Zhou"

Director

"Danny Hon"

Director

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

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
For the three months and six months ended June 30, 2017 and 2016
(Unaudited)

(Expressed in U.S. Dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Revenue					
Book sales and distribution services		\$ 3,038,678	\$ 2,893,674	\$ 4,181,434	\$ 3,905,375
Online products		2,350,652	2,344,313	3,995,347	4,035,803
		5,389,330	5,237,987	8,176,781	7,941,178
Cost of sales					
Book sales and distribution services		(1,611,704)	(1,471,213)	(2,106,775)	(2,016,174)
Online products		(763,633)	(599,711)	(1,310,268)	(1,330,598)
Gross profit		3,013,993	3,167,063	4,759,738	4,594,406
Amortization		(8,784)	(6,967)	(16,116)	(14,053)
General and administrative	16	(449,452)	(377,964)	(759,297)	(718,608)
Selling commission, marketing and copyrights		(1,205,562)	(1,218,931)	(2,269,418)	(2,193,751)
Other expense		(846)	-	(1,001)	(917)
Other income		1,554	11,230	7,130	11,230
Operating profit		1,350,903	1,574,431	1,721,036	1,678,307
Finance income		5,516	7,359	13,483	24,181
Finance costs	20	(31,201)	(55,450)	(56,423)	(99,787)
Net finance costs		(25,685)	(48,091)	(42,940)	(75,606)
Net income before income taxes		1,325,218	1,526,340	1,678,096	1,602,701
Income taxes		(96,067)	(26,029)	(96,067)	(32,697)
Net income for the period		\$ 1,229,151	\$ 1,500,311	\$ 1,582,029	\$ 1,570,004
Other comprehensive loss for the period, net of income taxes					
Change in fair value of marketable securities		-	(90,391)	(60,388)	(18,095)
Unrealized exchange gain (loss) on translation of foreign operations		(6,004)	458	(5,096)	(116,866)
Other comprehensive loss for the period, net of income tax		(6,004)	(89,933)	(65,484)	(134,961)
Comprehensive income for the period		\$ 1,223,147	\$ 1,410,378	\$ 1,516,545	\$ 1,435,043
Net income attributable to:					
Shareholders of the Company		\$ 929,851	\$ 1,043,647	\$ 1,268,805	\$ 1,042,048
Non-controlling interest		299,300	456,664	313,224	527,956
Net income for the period		\$ 1,229,151	\$ 1,500,311	\$ 1,582,029	\$ 1,570,004
Comprehensive income attributable to:					
Shareholders of the Company		\$ 905,058	\$ 1,021,815	\$ 1,199,775	\$ 939,757
Non-controlling interest		318,089	388,563	316,770	495,286
Comprehensive income for the period		\$ 1,223,147	\$ 1,410,378	\$ 1,516,545	\$ 1,435,043
Earnings per share					
Basic earnings per share	10	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.02
Diluted earnings per share	10	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.02
Weighted average number of common shares used to calculate					
basic earnings per share		47,364,983	47,364,983	47,364,983	47,364,983
Weighted average number of common shares used to calculate					
diluted earnings per share		48,139,728	47,364,983	48,303,893	47,364,983

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

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2017 and the year ended December 31, 2016
(Unaudited)

(Expressed in U.S. Dollars)	Attributable to equity holders of the Company						Non- Controlling Interest	Total Deficiency
	Number of Shares	Share Capital	Contributed Surplus	Accumulative Other Comprehensive Income Account	Deficit	Total		
Balance December 31, 2015	47,364,983	\$ 29,455,512	\$ 2,619,455	\$ 922,553	\$ (35,666,145)	\$ (2,668,625)	\$ 532,813	\$ (2,135,812)
Net income for the six months ended June 30, 2016	-	-	-	-	1,042,048	1,042,048	527,956	1,570,004
Changes in fair market value of marketable securities	-	-	-	(10,857)	-	(10,857)	(7,238)	(18,095)
Foreign currency translation differences	-	-	-	(91,434)	-	(91,434)	(25,432)	(116,866)
Stock-based compensation	-	-	3,825	-	-	3,825	-	3,825
Balance June 30, 2016	47,364,983	29,455,512	2,623,280	820,262	(34,624,097)	(1,725,043)	1,028,099	(696,944)
Net loss for the six months ended December 31, 2016	-	-	-	-	(125,844)	(125,844)	(287,112)	(412,956)
Changes in fair market value of marketable securities	-	-	-	33,756	-	33,756	22,504	56,260
Foreign currency translation differences	-	-	-	21,705	-	21,705	(34,854)	(13,149)
Stock-based compensation	-	-	1,502	-	-	1,502	-	1,502
Balance December 31, 2016	47,364,983	29,455,512	2,624,782	875,723	(34,749,941)	(1,793,924)	728,637	(1,065,287)
Net income for the six months ended June 30, 2017	-	-	-	-	1,268,805	1,268,805	313,224	1,582,029
Changes in fair market value of marketable securities	-	-	-	(36,233)	-	(36,233)	(24,155)	(60,388)
Foreign currency translation differences	-	-	-	(32,797)	-	(32,797)	27,701	(5,096)
Stock-based compensation	-	-	86,949	-	-	86,949	-	86,949
Balance June 30, 2017	47,364,983	\$ 29,455,512	\$ 2,711,731	\$ 806,693	\$ (33,481,136)	\$ (507,200)	\$ 1,045,407	\$ 538,207

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

CHINA EDUCATION RESOURCES INC.
Condensed Interim Consolidated Statements of Cash Flows
For the three months and six months ended June 30, 2017 and 2016
(Unaudited)

(Expressed in U.S. Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cash flows from operating activities				
Income for the period	\$ 1,229,151	\$ 1,500,311	\$ 1,582,029	\$ 1,570,004
Adjustments for:				
Depreciation	8,784	6,967	16,116	14,053
Share-based payment	86,529	898	86,949	3,825
Changes in accounts and other receivable	(4,066,194)	(3,637,605)	(6,130,052)	(2,869,580)
Changes in prepaid expenses and deposits	(341,499)	31,861	(318,472)	75,747
Changes in trade and other payables	2,056,139	2,506,678	1,212,154	972,479
Changes in taxes payable	115,711	29,849	91,294	(39,579)
Changes in deferred revenue	(1,696)	(110,211)	(280,290)	(551,335)
	(913,075)	328,750	(3,740,272)	(824,384)
Interest paid	(4,213)	(955)	(8,318)	(5,128)
Taxes paid	(104,519)	(51,743)	(199,963)	(155,807)
Net cash provided by (used in) operating activities	(1,021,807)	276,052	(3,948,553)	(985,319)
Cash flows used in investing activities				
Acquisition to Equipment	(0)	(4,084)	(22,999)	(9,260)
Proceeds from disposal of marketable securities	-	-	-	(152,960)
Net cash used in investing activities	(0)	(4,084)	(22,999)	(162,220)
Cash flows from financing activities				
Change in restricted cash	-	(69,456)	-	284,089
Loan (paid to) received from third parties	24,728	47,710	478,095	940,963
Loan (paid to) received from related parties	6,531	(103,945)	5,480	(97,743)
Advance from third parties	-	-	-	22,944
Advance from related parties	70,299	35,330	104,754	67,810
Net cash provided by (used in) financing activities	101,559	(90,362)	588,330	1,218,062
Net increase (decrease) in cash	(920,295)	181,607	(3,383,222)	70,524
Cash, beginning of the period	1,401,326	1,494,445	3,844,356	1,594,835
Effect of exchange rate fluctuations on cash held	15,069	(45,701)	35,013	(35,008)
Cash, end of the period	\$ 496,147	\$ 1,630,350	\$ 496,147	\$ 1,630,350

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

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(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 condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2017 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group provides an education internet portal with educational content, resources and training programs to users in People’s Republic of China (“China”) and distributes educational textbooks and materials developed by the Group to bookstores and schools in China.

2. Going Concern

As at June 30, 2017, the Group has working capital of \$412,409 (December 31, 2016: working capital deficiency of \$1,163,189). In addition, the Group has trade and other payables, advance from a third party, bank loan, loan payables, loan payables - related parties, and due to related parties to be matured within the next twelve months in the amount of \$9,213,918 (December 31, 2016: \$7,142,832). As at June 30, 2017, the Group has cash and cash equivalents balance of \$496,147 (December 31, 2016: \$3,844,356). 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, 2016.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(Unaudited)

3. Basis of Preparation - Continued

(a) Statement of compliance - Continued

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued as of June 30, 2017. These financial statements were authorized to issue by the audit committee and Board of Directors of the Company on August 28, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in restatement of these condensed interim consolidated financial statements.

(b) Basis of preparation

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

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

These condensed interim 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	
		June 30, 2017	December 31, 2016
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 Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(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) Allowance for doubtful accounts

The Group extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by actively pursuing past due accounts. As at June 30, 2017, allowance for doubtful accounts is \$32,140 (December 31, 2016 - \$31,323) based on management's assessment of credit history with the customers and current relationships with them.

(ii) Deferred taxes

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

(iii) Share-based payments

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

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(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 period ended June 30, 2017 and year ended December 31, 2016. 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.

(ii) Joint Arrangement

Management has applied judgments in assessing whether the strategic cooperation agreement that the Company's subsidiary TTTC entered into with an arm's length party ("Teacher.com.cn") during the year ended December 31, 2014 should be accounted as a joint arrangement. During the assessment, management considered whether the agreement establishes a contractual arrangement that establishes joint control, which requires both parties to reach unanimous consent over decisions about relevant business activities pertaining to this agreement. As a result of the assessment, management concluded that TTTC has sole controls over the relevant activity in its capacity as the operator of this arrangement during the early stage of the cooperation and there is no joint arrangement exists between TTTC and Teacher.com.cn as at June 30, 2017 and December 31, 2016.

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, 2016. 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, 2016.

5. New standards and interpretations adopted during the period

IAS 7 Statement of Cash Flows ("IAS 7")

On January 1, 2017, the Company adopted the amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. Adoption of the amendments to IAS 7 did not have a material impact to the consolidated financial statements.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(Unaudited)

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

IAS 12 Income Taxes (“IAS 12”)

On January 1, 2017, the Company adopted amendments to IAS 12, which clarifies guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at fair value. The Company does not currently measure any of its debt instruments at fair value. Therefore, the implementation of this standard did not have any material impact to the Company’s financial statements.

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

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 9 Financial instruments (“IFRS 9”)

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- De-recognition - The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(Unaudited)

6. New standards and interpretations not yet adopted during the year - Continued

IFRS 9 Financial instruments (“IFRS 9”) - Continued

The effective date of this new standards has recently been deferred by the IASB to annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard or determined whether it will adopt the standard early.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The IASB has issued an exposure draft that would, if approved defer the effective date to January 1, 2018. The Company has not yet assessed the impact of this standard or determined whether it will adopt the standard early.

IFRS 16 Leases (“IFRS 16”)

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

7. Accounts and Other Receivable

	June 30, 2017	December 31, 2016
Trade receivables	\$ 10,165,586	\$ 3,797,622
Other receivables	11,626	63,968
	<u>\$ 10,177,212</u>	<u>\$ 3,861,590</u>

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(Unaudited)

7. Accounts and Other Receivable - Continued

The aging of accounts and other receivables at the reporting date was:

	June 30, 2017	December 31, 2016
Due within 3 months	\$ 5,391,520	\$ 2,967,653
Due 4-6 months	4,361,280	630,640
Due 7-12 months	214,144	269,749
More than 1 year	242,408	24,871
Impairment	(32,140)	(31,323)
	<u>\$ 10,177,212</u>	<u>\$ 3,861,590</u>

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

	2016
Balance at January 1	\$ 23,519
Charge for the year	31,323
Utilized	(23,519)
Balance at December 31	<u>\$ 31,323</u>
	2017
Balance at January 1	\$ 31,323
Charge for the period	32,140
Utilized	(31,323)
Balance at June 30	<u>\$ 32,140</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.

China Education Resources Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in U.S. Dollars)
Period Ended June 30, 2017
(Unaudited)

8. Plant and Equipment

	Computer equipment	Office equipment	Motor vehicles	Total
Cost				
Balance, at January 1, 2016	\$ 171,839	\$ 19,279	\$ 348,420	\$ 539,538
Additions	10,331	1,809	43,328	55,468
Disposals	-	-	-	-
Effect of movements in exchange rates	(12,361)	(1,364)	(25,125)	(38,850)
Balance, at December 31, 2016	<u>\$ 169,809</u>	<u>\$ 19,724</u>	<u>\$ 366,623</u>	<u>\$ 556,156</u>
Balance, at January 1, 2017	\$ 169,809	\$ 19,724	\$ 366,623	\$ 556,156
Additions	1,393	-	39,875	41,268
Disposals	(3,109)	-	(14,402)	(17,511)
Effect of movements in exchange rates	4,407	514	9,148	14,069
Balance, at June 30, 2017	<u>\$ 172,500</u>	<u>\$ 20,238</u>	<u>\$ 401,244</u>	<u>\$ 593,982</u>
Accumulated depreciation				
Balance, at January 1, 2016	\$ 132,666	\$ 16,920	\$ 312,225	\$ 461,811
Depreciation for the year	14,043	2,864	12,012	28,919
Disposals	-	-	-	-
Effect of movements in exchange rates	(9,428)	(2,232)	(20,815)	(32,475)
Balance, at December 31, 2016	<u>\$ 137,281</u>	<u>\$ 17,551</u>	<u>\$ 303,422</u>	<u>\$ 458,254</u>
Balance, at January 1, 2017	\$ 137,281	\$ 17,551	\$ 303,422	\$ 458,254
Depreciation for the period	6,705	453	17,329	24,487
Disposals	(2,953)	-	(14,402)	(17,355)
Effect of movements in exchange rates	2,876	458	(536)	2,798
Balance, at June 30, 2017	<u>\$ 143,909</u>	<u>\$ 18,462</u>	<u>\$ 305,813</u>	<u>\$ 468,184</u>
Carrying amounts				
At December 31, 2016	<u>\$ 32,528</u>	<u>\$ 2,173</u>	<u>\$ 63,201</u>	<u>\$ 97,902</u>
At June 30, 2017	<u>\$ 28,591</u>	<u>\$ 1,776</u>	<u>\$ 95,431</u>	<u>\$ 125,798</u>

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9. Share Capital and Reserves

Issuance of common shares

There was no common share issued during the period ended June 30, 2017 and period ended December 31, 2016.

Common shares and preferred shares

At June 30, 2017, 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.

10. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

The calculation of basic earnings per share for the three-month period ended June 30, 2017 was based on the net income attributable to shareholders of the Group in the amount of \$929,851 (2016: \$1,043,647), and a weighted average number of common shares outstanding of 47,364,983 (2016: 47,364,983).

The calculation of basic earnings per share for the six-month period ended June 30, 2017 was based on the net income attributable to shareholders of the Group in the amount of \$1,268,805 (2016: \$1,042,048), and a weighted average number of common shares outstanding of 47,364,983 (2016: 47,364,983).

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three-month period ended June 30, 2017 was based on the net income attributable to shareholders of the Group in the amount of \$929,851 and a weighted average number of common shares outstanding of 48,139,728 (2016: 47,364,983).

The calculation of diluted earnings per share for the six-month period ended June 30, 2017 was based on the net income attributable to shareholders of the Group in the amount of \$1,268,805 and a weighted average number of common shares outstanding of 48,303,893 (2016: 47,364,983).

For the period ended June 30, 2016, 3,700,000 share options were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

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11. Share Purchase Options and Warrants

(a) Stock options

At June 30, 2017, the Group has the following share-based payment arrangements:

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

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

	Number of Shares	Weighted Average Exercise Price Per Share (CND)
Balance, December 31, 2015 and 2016	3,700,000	0.18
Expired during the period	(1,000,000)	0.40
Granted during the period	1,000,000	0.14
Balance, June 30, 2017	3,700,000	0.11

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

On May 29, 2017, the Group granted incentive stock options of 1,000,000 shares at CND\$0.14 per share expiring on May 29, 2022 which exceeds the market price at the grant date to directors and consultant. The stock options are vested immediately. The total fair value of the stock options granted was CND\$114,913 (\$86,115). The grant date fair value of share-based payment plans was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.95% per annum, expected volatility: 141.16% and dividend yield: \$nil. Total share-based payment for the period ended June 30, 2017 was \$116,581. The amount has been included in general and administrative expenses.

The options outstanding at June 30, 2017 have an exercise price in the range of CND\$0.10 to CND\$0.14 (December 31, 2016: in the range of CND\$0.10 to CND\$0.40) and a weighted average contractual life of 3.82 years (December 31, 2016: 3.16 years).

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11. Share Purchase Options and Warrants – Continued

(a) Stock options - Continued

There are 3,460,000 options exercisable at June 30, 2017 (December 31, 2016: 3,460,000), which have an exercise price of in the range of CND\$0.10 to CND\$0.14 (December 31, 2016: in the range of CND\$0.10 to CND\$0.40) and a weighted average contractual life of 3.84 years (December 31, 2015: 3.09 years).

(b) Share purchase warrants

At June 30, 2017 and December 31, 2016, there was no outstanding warrant.

12. Trade and Other Payables

	June 30, 2017	December 31, 2016
Trade payables	\$ 3,287,811	\$ 2,270,997
Other payables	2,190,443	1,771,037
Non-trade payables and accrued expenses	478,709	515,721
	<u>\$ 5,956,963</u>	<u>\$ 4,557,755</u>

13. Advance from a third party

On May 4, 2014, the Group's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com.cn to develop online training projects. During the year ended December 31, 2014, Teacher.com.cn advanced RMB1,360,000 to TTTC as the start-up funds to substantiate operations under TTTC. The amount is unsecured, due on demand, and bears nil interest rate.

The strategic cooperation agreement has expired during the year ended December 31, 2016. Total advance from Teacher.com.cn in the amount of RMB1,360,000 (\$200,586) as at June 30, 2017 is due on demand (December 31, 2016: RMB 1,360,00 (\$217,047)).

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14. Loans Payable

Terms and conditions of outstanding loans as at June 30, 2017 and December 31, 2016 from unrelated individuals were summarized as follows:

	June 30, 2017			
	RMB	U.S. dollars equivalent	Annual interest rate	Due date
Unsecured loan (1)	¥ 2,000,000	\$ 294,980	12%	Due on demand
Unsecured loan (2)	1,000,000	147,490	10%	December 31, 2017
Unsecured loan (3)	1,000,000	147,490	10%	December 31, 2017
Unsecured loan (4)	1,000,000	147,490	10%	December 31, 2017
Sub-total	¥ 5,000,000	\$ 737,450		
Interest payable	850,520	125,443		
Total	¥ 5,850,520	\$ 862,893		

- (1) On May 4, 2014, the Group's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com.cn. Pursuant to the agreement, Teacher.com.cn agreed to lend a loan of RMB2,000,000 to TTTC to support the operation of new online training project. The loan was unsecured and due on demand with annual interest rate of 12%.
- (2) The loan will mature on December 31, 2017 and as at June 30, 2017, there was interest payable balance of RMB 37,260 (\$5,495) in relation to this loan.
- (3) The loan will mature on December 31, 2017 and as at June 30, 2017, there was interest payable balance of RMB 37,260 (\$5,495) in relation to this loan.
- (4) The loan will mature on December 31, 2017 and as at June 30, 2017, there was interest payable balance of RMB 35,616 (\$5,253) in relation to this loan.

15. Bank Loan

In August 2016, the Company, through its subsidiary TTTC, arranged a bank loan of RMB3,000,000 (\$449,880). The bank loan bears an annual interest rate of 5.655% and will be repayable by 3 equal instalments, i.e. RMB1,000,000 (\$149,960) each time, on December 21, 2016, July 21, 2017 and August 16, 2017. Personal guarantee by one of the directors of TTTC has been provided to the bank.

As of June 30, 2017, the outstanding loan amount was RMB2,000,000 (\$294,980) and interest expenses of RMB57,178 (\$8,318) in relation to this bank loan was fully paid.

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16. General and Administrative Expenses

The break down of Group's general and administrative expenses for the three-month and six-month periods ended June 30, 2017 and 2016 were as follows:

	Three-months		Six-months	
	period ended June 30,		period ended June 30,	
	2017	2016	2017	2016
Accounting and audit	\$ 67,982	\$ 52,483	\$ 101,983	\$ 85,254
Administrative and office	11,205	8,011	19,849	22,438
Consulting	33,891	35,608	68,345	76,966
Stock based compensation	86,529	898	86,949	3,825
Legal and professional	2,649	1,664	4,098	3,431
Meals and entertainment	2,558	1,130	5,059	1,431
Registrar & transfer agent fees	519	626	1,980	2,586
Filing and listing	9,108	7,049	15,258	11,775
Rent	40,729	87,595	81,381	125,997
Travel	13,056	21,704	40,526	35,685
Salaries, wages, commission & benefits	173,048	152,792	386,355	319,676
Advertising, promotion & conference	-	337	-	1,717
Investor relations	1,739	1,759	1,742	4,442
Miscellaneous	6,438	6,308	(51,074)	23,385
AP Written off	-	-	(3,154)	-
	\$ 449,452	\$ 377,964	\$ 759,297	\$ 718,608

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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 and cash equivalents, trade and other receivables, due from related parties, trade and other payables, advance from a third party and due to related parties.

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

(a) Credit risk

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

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

	Carrying amount	
	June 30, 2017	December 31, 2016
Accounts and other receivables	\$ 10,177,212	\$ 3,861,590
Cash and cash equivalents	496,147	3,844,356
	<u>\$ 10,673,359</u>	<u>\$ 7,705,946</u>

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18. Financial Risk Management - Continued

(a) Credit risk - continued

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

	Carrying amount	
	June 30, 2017	December 31, 2016
China	\$ 10,166,903	\$ 3,859,212
Canada	10,309	2,378
	\$ 10,177,212	\$ 3,861,590

100% and 100% of the Group's revenue for the three-month and six-month periods ended June 30, 2017 and 2016 was derived from customers located in China. Two (December 31, 2016: two) customers represent in excess of 10% of accounts receivable at June 30, 2017. Two (2016: two) customers represent in excess of 10% of total revenue for the period ended June 30, 2017. The Group's most significant customers accounted for \$2,339,946 of receivables carrying amount at June 30, 2017 (December 31, 2016: \$363,977).

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At June 30, 2017, the Group had a working capital of \$412,409 (December 31, 2016: working capital deficiency of \$1,163,189). 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.

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18. Financial Risk Management - Continued

(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 Group'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.

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

(in US Dollars)	June 30, 2017			December 31, 2016		
	CND	RMB	TOTAL	CND	RMB	TOTAL
Cash	\$ 8,959	\$ 487,188	496,147	\$ 33,515	\$ 3,810,841	3,844,356
Accounts and other receivables	10,309	10,166,903	10,177,212	2,378	3,859,212	3,861,590
Trade and other payables	(215,417)	(5,741,546)	(5,956,963)	(200,320)	(4,357,180)	(4,557,500)
Advance from a third party	-	(200,586)	(200,586)	-	(217,047)	(217,047)
Bank loan	-	(294,980)	(294,980)	-	(287,480)	(287,480)
Loan payables	-	(862,893)	(862,893)	-	(355,235)	(355,235)
Loan payables - related parties	(303,301)	-	(303,301)	(287,689)	-	(287,689)
Due to related parties	(1,595,195)	-	(1,595,195)	(1,437,626)	-	(1,437,626)
Gross statements of financial position exposure	\$ (2,094,645)	\$ 3,554,086	\$ 1,459,441	\$ (1,889,742)	\$ 2,453,111	\$ 563,369

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18. Financial Risk Management - Continued

(ii) Foreign currency exchange rate risk - continued

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 Renminbi (“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 (decreased) other comprehensive income by \$157,677 (December 31, 2016 - \$20,842). An increase (decrease) of 10% in the exchange rate between the CND and the U.S. dollars would have decreased (increased) other comprehensive income by \$176,411 (December 31, 2016 - \$159,132).

(d) Fair values

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

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

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

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

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

(e) Capital management

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

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18. Financial Risk Management - Continued

(e) 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:

	June 30, 2017	December 31, 2016
Total liabilities	\$ 10,690,419	\$ 8,972,972
Less: cash in the bank	(496,147)	(3,844,356)
Net debt	<u>\$ 10,194,272</u>	<u>\$ 5,128,616</u>
Total equity (deficiency)	<u>\$ 538,207</u>	<u>\$ (1,065,287)</u>
Debt to capital ratio	18.94	(4.81)

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

There were no changes in the Group's approach to capital management during the period ended June 30, 2017 and year ended December 31, 2016. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

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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.

Geographical segments

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

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

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

Three months ended June 30, 2016	Canada	China	Total
Revenue from external customers	\$ -	\$ 5,237,987	\$ 5,237,987
Plant and equipment	-	114,502	114,502

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

Six months ended June 30, 2016	Canada	China	Total
Revenue from external customers	\$ -	\$ 7,941,178	\$ 7,941,178
Plant and equipment	-	114,502	114,502

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

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

Director/Officer	Transaction	Three-month period ended		Six-month period ended	
		June 30,		June 30,	
		2017	2016	2017	2016
C F Zhou (director and CEO)	Consulting fees (i)	\$ 34,172	\$ 34,420	\$ 68,345	\$ 68,840
C F Zhou (director and CEO)	Interest expense (ii)	4,560	4,734	9,069	9,186
Danny Hon (director and CFO)	Accounting fees (iii)	19,537	15,097	34,525	30,194
Danny Hon (director and CFO)	Interest expense (iv)	1,963	1,977	3,905	3,954
		<u>\$ 60,232</u>	<u>\$ 56,228</u>	<u>\$ 115,844</u>	<u>\$ 112,174</u>

Director/Officer	Balance	June 30,	December 31,
		2017	2016
C F Zhou (director and CEO)	Consulting fees payable (i)	\$ 1,106,592	\$ 1,001,582
C F Zhou (director and CEO)	Loan payable (ii)	125,376	121,174
C F Zhou (director and CEO)	Loan interest payable (ii)	80,721	72,726
Danny Hon (director and CFO)	Accounting fees payable (iii)	488,603	436,044
Danny Hon (director and CFO)	Loan payable (iv)	53,982	52,173
Danny Hon (director and CFO)	Loan interest payable (iv)	43,223	41,617
		<u>\$ 1,898,497</u>	<u>\$ 1,725,316</u>

- (i) The consulting fees owing to C F Zhou as at June 30, 2017 is unsecured, due on demand with no interest.
- (ii) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at June 30, 2017, there was an interest payable balance of \$80,721 (December 31, 2016: \$72,726) owed to C F Zhou.

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20. Related Parties Transactions - Continued

Key management personnel and director transactions - Continued

- (iii) The Group engaged a company, which is controlled by Danny Hon, to provide accounting services. The balance owing to the company controlled by Danny Hon as at June 30, 2017 is unsecured, due on demand with no interest.
- (iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at June 30, 2017, there was an interest payable balance of \$43,223 (December 31, 2016: \$41,617) owed to Danny Hon.