

# **China Education Resources Inc.**

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

**Period Ended September 30, 2021**  
**(Unaudited)**

### **Management's Responsibility for Financial Reporting**

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

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

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

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

### **Notice to Reader**

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

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

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

**CHINA EDUCATION RESOURCES INC.**  
**Condensed Interim Consolidated Statements of Financial Position**  
September 30, 2021 and December 31, 2020

(Expressed in U.S. Dollars)

| AS AT                                                                                                                              | Note | September 30,<br>2021<br>(Unaudited) | December 31,<br>2020<br>(Audited) |
|------------------------------------------------------------------------------------------------------------------------------------|------|--------------------------------------|-----------------------------------|
| <b>Assets</b>                                                                                                                      |      |                                      |                                   |
| <b>Current assets</b>                                                                                                              |      |                                      |                                   |
| Cash and cash equivalents                                                                                                          |      | \$ 1,373,303                         | \$ 2,406,396                      |
| Restricted cash                                                                                                                    | 21   | 899,888                              | 892,053                           |
| Accounts and other receivables<br>(net of allowance for expected credit<br>loss of \$1,145,376, December 31,<br>2020: \$1,133,968) | 7    | 5,812,619                            | 3,052,374                         |
| Prepaid expenses and deposits                                                                                                      |      | 728,550                              | 755,949                           |
| <b>Total current assets</b>                                                                                                        |      | <b>8,814,360</b>                     | <b>7,106,772</b>                  |
| <b>Non-current assets</b>                                                                                                          |      |                                      |                                   |
| Right - of - use asset                                                                                                             | 8    | 45,854                               | 74,582                            |
| Equipment                                                                                                                          | 8    | 32,795                               | 36,671                            |
| <b>Total non-current assets</b>                                                                                                    |      | <b>78,649</b>                        | <b>111,253</b>                    |
| <b>Total assets</b>                                                                                                                |      | <b>\$ 8,893,009</b>                  | <b>\$ 7,218,025</b>               |
| <b>Liabilities</b>                                                                                                                 |      |                                      |                                   |
| <b>Current liabilities</b>                                                                                                         |      |                                      |                                   |
| Trade and other payables                                                                                                           | 11   | \$ 4,383,748                         | \$ 3,031,360                      |
| Deferred revenue                                                                                                                   |      | 73,009                               | 10,576                            |
| Taxes payable                                                                                                                      | 12   | 101,611                              | 67,546                            |
| Lease obligations - current portion                                                                                                | 13   | 37,992                               | 42,697                            |
| Loans payable                                                                                                                      | 14   | 822,771                              | 721,007                           |
| Loans payable - related parties                                                                                                    | 19   | 433,358                              | 413,156                           |
| Due to related parties                                                                                                             | 19   | 2,466,613                            | 2,306,221                         |
| <b>Total current liabilities</b>                                                                                                   |      | <b>8,319,102</b>                     | <b>6,592,563</b>                  |
| <b>Non-current liabilities</b>                                                                                                     |      |                                      |                                   |
| Lease obligation                                                                                                                   | 13   | 7,168                                | 31,061                            |
| Deferred tax liability                                                                                                             |      | 312,913                              | 309,797                           |
| <b>Total non-current liabilities</b>                                                                                               |      | <b>320,081</b>                       | <b>340,858</b>                    |
| <b>Total liabilities</b>                                                                                                           |      | <b>\$ 8,639,183</b>                  | <b>\$ 6,933,421</b>               |
| <b>Shareholders' Equity (Deficiency)</b>                                                                                           |      |                                      |                                   |
| Share capital                                                                                                                      | 9    | 29,455,512                           | 29,455,512                        |
| Contributed surplus                                                                                                                |      | 2,766,626                            | 2,732,948                         |
| Accumulated other comprehensive income                                                                                             |      | 905,557                              | 872,772                           |
| Deficit                                                                                                                            |      | (33,734,290)                         | (33,774,706)                      |
| <b>Total shareholders' deficiency attributable to shareholders of the Company</b>                                                  |      | <b>(606,595)</b>                     | <b>(713,474)</b>                  |
| <b>Non-controlling interest</b>                                                                                                    | 20   | <b>860,421</b>                       | <b>998,078</b>                    |
| <b>Total Equity (Deficiency)</b>                                                                                                   |      | <b>253,826</b>                       | <b>284,604</b>                    |
| <b>Total liabilities and shareholders' equity</b>                                                                                  |      | <b>\$ 8,893,009</b>                  | <b>\$ 7,218,025</b>               |

Going Concern - Note 2

Contingent Liability - Note 21

Approved by the Board:

"Chengfeng Zhou"  
Director

"Danny Hon"  
Director

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

**CHINA EDUCATION RESOURCES INC.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
For the three months and nine months ended September 30, 2021 and 2020  
(Unaudited)

(Expressed in U.S. Dollars)

|                                                                                                        | Note | Three months ended September 30, |              | Nine months ended September 30, |              |
|--------------------------------------------------------------------------------------------------------|------|----------------------------------|--------------|---------------------------------|--------------|
|                                                                                                        |      | 2021                             | 2020         | 2021                            | 2020         |
| <b>Revenue</b>                                                                                         |      |                                  |              |                                 |              |
| Book sales and distribution services                                                                   |      | \$ 892,129                       | \$ 360,034   | \$ 4,813,425                    | \$ 3,504,784 |
| Online products                                                                                        |      | 922,097                          | 719,711      | 2,224,051                       | 1,908,736    |
|                                                                                                        |      | 1,814,226                        | 1,079,745    | 7,037,476                       | 5,413,520    |
| <b>Cost of sales</b>                                                                                   |      |                                  |              |                                 |              |
| Book sales and distribution services                                                                   |      | (713,072)                        | (221,336)    | (3,231,726)                     | (2,394,776)  |
| Online products                                                                                        |      | (576,771)                        | (226,207)    | (957,660)                       | (483,970)    |
| <b>Gross profit</b>                                                                                    |      | 524,383                          | 632,202      | 2,848,090                       | 2,534,774    |
| Depreciation                                                                                           | 8    | (11,789)                         | (16,142)     | (38,139)                        | (48,162)     |
| General and administrative                                                                             | 15   | (461,904)                        | (324,412)    | (1,223,435)                     | (915,840)    |
| Selling commission, marketing and copyrights                                                           | 16   | (167,969)                        | (509,048)    | (1,695,644)                     | (1,219,778)  |
| <b>Operating profit (loss)</b>                                                                         |      | (117,279)                        | (217,400)    | (109,128)                       | 350,994      |
| Finance income                                                                                         |      | 8,124                            | 4,044        | 26,945                          | 18,336       |
| Finance costs                                                                                          |      | (15,711)                         | (13,750)     | (48,174)                        | (39,222)     |
| Other expense                                                                                          |      | -                                | -            | -                               | (27)         |
| Other income                                                                                           |      | 18,747                           | 90           | 22,252                          | 15,601       |
| <b>Net finance income (cost)</b>                                                                       |      | 11,160                           | (9,616)      | 1,023                           | (5,312)      |
| <b>Net income (loss) before income taxes</b>                                                           |      | (106,119)                        | (227,016)    | (108,105)                       | 345,682      |
| Income tax expenses                                                                                    |      | -                                | (8,031)      | -                               | (8,031)      |
| <b>Net income (loss) for the period</b>                                                                |      | \$ (106,119)                     | \$ (235,047) | \$ (108,105)                    | \$ 337,651   |
| <b>Other comprehensive income (loss) for the period, net of income taxes</b>                           |      |                                  |              |                                 |              |
| Unrealized exchange gain (loss) on translation of foreign operations                                   |      | 82,356                           | 73,737       | 43,649                          | 149,243      |
| <b>Other comprehensive income (loss) for the period, net of income tax</b>                             |      | 82,356                           | 73,737       | 43,649                          | 149,243      |
| <b>Comprehensive income (loss) for the period</b>                                                      |      | \$ (23,763)                      | \$ (161,310) | \$ (64,456)                     | \$ 486,894   |
| <b>Net income (loss) attributable to:</b>                                                              |      |                                  |              |                                 |              |
| Shareholders of the Company                                                                            |      | \$ (37,499)                      | \$ (92,642)  | \$ 40,416                       | \$ 373,690   |
| Non-controlling interest                                                                               | 20   | (68,620)                         | (142,405)    | (148,521)                       | (36,039)     |
| <b>Net income (loss) for the period</b>                                                                |      | \$ (106,119)                     | \$ (235,047) | \$ (108,105)                    | \$ 337,651   |
| <b>Comprehensive income (loss) attributable to:</b>                                                    |      |                                  |              |                                 |              |
| Shareholders of the Company                                                                            |      | \$ 46,270                        | \$ (55,097)  | \$ 73,201                       | \$ 500,953   |
| Non-controlling interest                                                                               | 20   | (70,033)                         | (106,213)    | (137,657)                       | (14,059)     |
| <b>Comprehensive income (loss) for the period</b>                                                      |      | \$ (23,763)                      | \$ (161,310) | \$ (64,456)                     | \$ 486,894   |
| <b>Earnings (loss) per share</b>                                                                       |      |                                  |              |                                 |              |
| Basic and diluted earnings (loss) per share                                                            |      | \$ (0.00)                        | \$ (0.00)    | \$ 0.00                         | \$ 0.01      |
| Weighted average number of common shares used to calculate basic and diluted earnings (loss) per share |      | 47,364,983                       | 47,364,983   | 47,364,983                      | 47,364,983   |

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

**CHINA EDUCATION RESOURCES INC.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
For the nine months ended September 30, 2021 and the year ended December 31, 2020  
(Unaudited)

| (Expressed in U.S. Dollars)                             | Attributable to equity holders of the Company |               |                     |                                                 |                 |                | Non-Controlling Interest | Total Equity (Deficiency) |
|---------------------------------------------------------|-----------------------------------------------|---------------|---------------------|-------------------------------------------------|-----------------|----------------|--------------------------|---------------------------|
|                                                         | Number of Shares                              | Share Capital | Contributed Surplus | Accumulative Other Comprehensive Income Account | Deficit         | Total          |                          |                           |
| <b>Balance December 31, 2019</b>                        | 47,364,983                                    | \$ 29,455,512 | \$ 2,716,153        | \$ 788,854                                      | \$ (34,017,940) | \$ (1,057,421) | \$ 814,160               | \$ (243,261)              |
| Net income for the nine months ended September 30, 2020 | -                                             | -             | -                   | -                                               | 373,690         | 373,690        | (36,039)                 | 337,651                   |
| Foreign currency translation differences                | -                                             | -             | -                   | 127,263                                         | -               | 127,263        | 21,980                   | 149,243                   |
| Stock-based compensation                                |                                               |               | 16,639              |                                                 |                 | 16,639         | -                        | 16,639                    |
| <b>Balance September 30, 2020</b>                       | 47,364,983                                    | \$ 29,455,512 | \$ 2,732,792        | \$ 916,117                                      | \$ (33,644,250) | \$ (539,829)   | \$ 800,101               | \$ 260,272                |
| Net loss for the three months ended December 31, 2020   | -                                             | -             | -                   | -                                               | (130,456)       | (130,456)      | 152,254                  | 21,798                    |
| Foreign currency translation differences                | -                                             | -             | -                   | (43,345)                                        | -               | (43,345)       | 45,723                   | 2,378                     |
| Stock-based compensation                                | -                                             | -             | 156                 | -                                               | -               | 156            | -                        | 156                       |
| <b>Balance December 31, 2020</b>                        | 47,364,983                                    | \$ 29,455,512 | \$ 2,732,948        | \$ 872,772                                      | \$ (33,774,706) | \$ (713,474)   | \$ 998,078               | \$ 284,604                |
| Net income for the nine months ended September 30, 2021 | -                                             | -             | -                   | -                                               | 40,416          | 40,416         | (148,521)                | (108,105)                 |
| Foreign currency translation differences                | -                                             | -             | -                   | 32,785                                          | -               | 32,785         | 10,864                   | 43,649                    |
| Stock-based compensation                                | -                                             | -             | 33,678              | -                                               | -               | 33,678         | -                        | 33,678                    |
| <b>Balance September 30, 2021</b>                       | 47,364,983                                    | \$ 29,455,512 | \$ 2,766,626        | \$ 905,557                                      | \$ (33,734,290) | \$ (606,595)   | \$ 860,421               | \$ 253,826                |

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

**CHINA EDUCATION RESOURCES INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
For the three months and nine months ended September 30, 2021 and 2020  
(Unaudited)

(Expressed in U.S. Dollars)

|                                                            | Three months ended September 30, |                   | Nine months ended September 30, |                    |
|------------------------------------------------------------|----------------------------------|-------------------|---------------------------------|--------------------|
|                                                            | 2021                             | 2020              | 2021                            | 2020               |
| <b>Cash flows from operating activities</b>                |                                  |                   |                                 |                    |
| Income (loss) for the period                               | \$ (106,119)                     | \$ (235,047)      | \$ (108,105)                    | \$ 337,651         |
| Adjustments for:                                           |                                  |                   |                                 |                    |
| Depreciation                                               | 11,789                           | 16,142            | 38,139                          | 48,162             |
| Interest accrued                                           | 13,281                           | 10,549            | 38,063                          | 24,042             |
| Gain on disposal of equipment                              | (18,748)                         | -                 | (18,748)                        | -                  |
| Share-based payment                                        | 33,678                           | 16,639            | 33,678                          | 16,639             |
| Changes in accounts and other receivable                   | (232,227)                        | 1,161,106         | (2,728,523)                     | (878,901)          |
| Changes in prepaid expenses and deposits                   | 127,060                          | (204,138)         | 35,025                          | (104,783)          |
| Changes in trade and other payables                        | (99,458)                         | (1,174,480)       | 1,329,274                       | (693,391)          |
| Changes in taxes payable                                   | (8,870)                          | 11,696            | 33,372                          | (18,746)           |
| Changes in deferred revenue                                | 61,351                           | -                 | 62,302                          | 322                |
| <b>Net cash used in operating activities</b>               | <b>(218,262)</b>                 | <b>(397,533)</b>  | <b>(1,285,523)</b>              | <b>(1,269,006)</b> |
| <b>Cash flows from investing activities</b>                |                                  |                   |                                 |                    |
| Disposal (Acquisition) of equipment                        | 40,839                           | (855)             | 35,816                          | (855)              |
| <b>Net cash provided by (used in) investing activities</b> | <b>40,839</b>                    | <b>(855)</b>      | <b>35,816</b>                   | <b>(855)</b>       |
| <b>Cash flows from financing activities</b>                |                                  |                   |                                 |                    |
| Bank loan                                                  | -                                | -                 | -                               | (214,515)          |
| Proceeds from third parties loan                           | -                                | (254,958)         | 77,280                          | 171,612            |
| Advance from related parties                               | 53,304                           | 48,090            | 164,976                         | 150,577            |
| Lease payments                                             | (9,934)                          | (8,673)           | (29,328)                        | (18,797)           |
| <b>Net cash provided by (used in) financing activities</b> | <b>43,370</b>                    | <b>(215,541)</b>  | <b>212,928</b>                  | <b>88,877</b>      |
| <b>Net decrease in cash</b>                                | <b>(134,053)</b>                 | <b>(613,929)</b>  | <b>(1,036,779)</b>              | <b>(1,180,984)</b> |
| Cash, beginning of the period                              | 1,531,308                        | 1,248,355         | 2,406,396                       | 1,840,458          |
| Effect of exchange rate fluctuations on cash held          | (23,952)                         | 34,148            | 3,686                           | 9,099              |
| <b>Cash, end of the period</b>                             | <b>\$ 1,373,303</b>              | <b>\$ 668,573</b> | <b>\$ 1,373,303</b>             | <b>\$ 668,573</b>  |
| <b>Supplementary disclosure of cash flow information:</b>  |                                  |                   |                                 |                    |
| Interest paid                                              | \$ 0                             | \$ (1,327)        | \$ (4,357)                      | \$ (7,203)         |
| Taxes paid                                                 | \$ (0)                           | \$ -              | \$ (9,863)                      | \$ (8,031)         |

(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 September 30, 2021**  
**(Unaudited)**

**1. Reporting Entity**

China Education Resources Inc. (“the Company”) is a company domiciled in Canada. The address of the Company’s registered office is Suite 300, 515 West Pender Street, Vancouver, B.C., Canada, V6B 6H5. The condensed interim consolidated financial statements of the Company as at and for the period ended September 30, 2021 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 September 30, 2021, the Group had an accumulated deficit of \$33,734,290 since inception. The Group’s ability to continue as a going concern is dependent upon, among other things, the continuing growth of the Group’s revenue to sustain profitability and attain positive cash flow from operations by the Group or its ability to obtain necessary financing. The outcome of these matters cannot be predicted at this time.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. However, primarily as a result of the conditions described above, there is material uncertainty that may cast significant doubt upon the Group’s ability to continue as a going concern.

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

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

**China Education Resources Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in U.S. Dollars)**  
**Period Ended September 30, 2021**  
**(Unaudited)**

**3. Basis of Preparation**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”), effective September 30, 2021.

These consolidated financial statements were authorized to issue by the audit committee and Board of Directors of the Group on November 26, 2021.

**(b) Basis of preparation**

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

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

These consolidated financial statements include the accounts of the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. A summary of the Company’s subsidiaries are as follows:

| Name of subsidiary                                          | Country of incorporation | Ownership interest |                   |
|-------------------------------------------------------------|--------------------------|--------------------|-------------------|
|                                                             |                          | September 30, 2021 | December 31, 2020 |
| CEN China Education Network Ltd. ("CEN Network") (inactive) | Canada                   | 100%               | 100%              |
| China Education International Inc. (inactive)               | BVI                      | 100%               | 100%              |
| CEN China Education Overseas Corporation (inactive)         | BVI                      | 100%               | 100%              |
| CEN Smart Networks Ltd. ("CEN Smart") (inactive)            | China                    | 100%               | 100%              |
| Today's Teachers Technology & Culture Ltd. ("TTTC")         | China                    | 100%               | 100%              |
| The Winning Edge Ltd. ("TWE") (inactive)                    | China                    | 100%               | 100%              |
| Zhong Yu Cheng Yuan Education Technology Ltd. ("ZYCY")      | China                    | 60%                | 60%               |

**China Education Resources Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in U.S. Dollars)**  
**Period Ended September 30, 2021**  
**(Unaudited)**

**3. Basis of Preparation - Continued**

**(b) Basis of preparation - Continued**

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

**(c) Use of estimates and judgments**

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

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

***Areas of estimates and judgements***

**(i) Expected credit loss**

Trade and other receivables are assessed for impairment at each reporting date by applying the “expected credit loss” impairment model under IFRS 9 - *Financial Instruments*. Expected credit loss represents management’s best estimate and assumptions based on actual credit loss experience and informed credit assessment, and also taking into consideration of forward-looking information. If actual credit losses differ from estimates, future earnings would be affected. As at September 30, 2021, allowance for expected credit loss is \$1,145,376 (December 31, 2020 - \$1,133,968) based on management’s assessment of credit history with the customers and current relationships with them.

**China Education Resources Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in U.S. Dollars)**  
**Period Ended September 30, 2021**  
**(Unaudited)**

**3. Basis of Preparation - Continued**

**(c) Use of estimates and judgments- Continued**

**(ii) Going concern**

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its consolidated financial statements for the period ended September 30, 2021 and year ended December 31, 2020. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there is a significant doubt as to the ability of the Group to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

**(iii) Income taxes**

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

**(iv) 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.

**China Education Resources Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**(Expressed in U.S. Dollars)**  
**Period Ended September 30, 2021**  
**(Unaudited)**

**3. Basis of Preparation - Continued**

**(c) Use of estimates and judgments- Continued**

**(v) Contingent liabilities**

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

**(vi) Stock based compensation**

The Group uses the Black-Scholes option pricing model to calculate the fair value of share purchase options at the date of grant. 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. Changes in these assumptions can materially affect the fair value estimate.

**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, 2020. 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, 2020.

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**5. New Standards and Interpretations Adopted During the Period**

The Group did not adopt any new standards and interpretation during the period ended September 30, 2021.

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

*Amendments to IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets*

In May 2020, the IASB issued amendments to clarify the costs that a company should include as the cost of fulfilling a contract when assessment is made as to whether a contract is onerous. The amendment is effective January 1, 2022, with early adoption permitted. The Company does not expect the adoption of the standard to have material impact on the Company's consolidated financial statements.

*Amendments to IAS 16 - Property, Plant and Equipment*

In May 2020, the IASB issued amendments to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendment is effective January 1, 2022, with early adoption permitted. The Company does not expect the adoption of the standard to have material impact on the Company's consolidated financial statements.

**Future accounting changes**

The Group continuously monitors the potential changes proposed by the International Accounting Standards Board ("IASB") and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. There have been no significant changes to future accounting policies, except for those noted below, that could impact the Group from what was disclosed in the December 31, 2020 consolidated annual financial statements.

**7. Accounts and Other Receivables**

|                   | September 30,<br>2021 | December 31,<br>2020 |
|-------------------|-----------------------|----------------------|
| Trade receivables | \$ 5,488,568          | \$ 2,970,573         |
| Other receivables | 324,051               | 81,801               |
|                   | <u>\$ 5,812,619</u>   | <u>\$ 3,052,374</u>  |

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**7. Accounts and Other Receivables - Continued**

As at September 30, 2021, the Group's aging analysis of trade receivables is as follows:

|                                                  | <30 days  | 30 - 90<br>days | 91 - 120<br>days | > 120<br>days | Total       |
|--------------------------------------------------|-----------|-----------------|------------------|---------------|-------------|
| Expected credit loss rate                        | -8%       | -2%             | -15%             | -61%          |             |
| Estimated total gross carrying amount at default | 1,785,799 | 2,845,914       | 537,691          | 1,464,540     | 6,633,943   |
| Expected credit loss                             | (136,257) | (43,138)        | (79,340)         | (886,640)     | (1,145,375) |

See also Note 17(a).

**8. Equipment and Right of Use Asset**

**(i) Equipment**

| Cost                                     | Computer<br>equipment | Office<br>equipment | Motor<br>vehicles | Total      |
|------------------------------------------|-----------------------|---------------------|-------------------|------------|
| Balance, at January 1, 2020              | \$ 160,134            | \$ 28,835           | \$ 390,634        | \$ 579,603 |
| Additions                                | 5,500                 | -                   | -                 | 5,500      |
| Disposals                                | -                     | -                   | -                 | -          |
| Effect of movements in<br>exchange rates | 10,891                | 1,906               | 25,817            | 38,614     |
| Balance, at December 31, 2020            | \$ 176,525            | \$ 30,741           | \$ 416,451        | \$ 623,717 |
| Balance, at January 1, 2021              | \$ 176,525            | \$ 30,741           | \$ 416,451        | \$ 623,717 |
| Additions                                | 5,023                 | -                   | -                 | 5,023      |
| Disposals                                | -                     | -                   | (42,363)          | (42,363)   |
| Effect of movements in<br>exchange rates | 1,778                 | 1,834               | 4,173             | 7,785      |
| Balance, at September 30, 2021           | \$ 183,326            | \$ 32,575           | \$ 378,261        | \$ 594,162 |

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**8. Equipment and Right of Use Asset - Continued**

**(i) Equipment - Continued**

| <b>Accumulated depreciation</b>          | <b>Computer<br/>equipment</b> | <b>Office<br/>equipment</b> | <b>Motor<br/>vehicles</b> | <b>Total</b>      |
|------------------------------------------|-------------------------------|-----------------------------|---------------------------|-------------------|
| Balance, at January 1, 2020              | \$ 140,784                    | \$ 21,934                   | \$ 360,110                | \$ 522,828        |
| Depreciation for the year                | 4,440                         | 2,158                       | 21,496                    | 28,094            |
| Disposals                                | -                             | -                           | -                         | -                 |
| Effect of movements in<br>exchange rates | 9,570                         | 1,546                       | 25,008                    | 36,124            |
| Balance, at December 31, 2020            | <u>\$ 154,794</u>             | <u>\$ 25,638</u>            | <u>\$ 406,614</u>         | <u>\$ 587,046</u> |
| Balance, at January 1, 2021              | \$ 154,794                    | \$ 25,638                   | \$ 406,614                | \$ 587,046        |
| Depreciation for the period              | 3,329                         | 1,511                       | 1,677                     | 6,517             |
| Disposals                                | -                             | -                           | (40,245)                  | (40,245)          |
| Effect of movements in<br>exchange rates | 2,371                         | 772                         | 4,905                     | 8,048             |
| Balance, at September 30, 2021           | <u>\$ 160,494</u>             | <u>\$ 27,921</u>            | <u>\$ 372,952</u>         | <u>\$ 561,367</u> |
| <b>Carrying amounts</b>                  |                               |                             |                           |                   |
| At December 31, 2020                     | <u>\$ 21,731</u>              | <u>\$ 5,103</u>             | <u>\$ 9,837</u>           | <u>\$ 36,671</u>  |
| At September 30, 2021                    | <u>\$ 22,832</u>              | <u>\$ 4,654</u>             | <u>\$ 5,309</u>           | <u>\$ 32,795</u>  |

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**8. Equipment and Right of Use Asset - Continued**

**(ii) Right of Use Asset**

**Cost**

|                                          |    |                |
|------------------------------------------|----|----------------|
| Balance, at January 1, 2020              | \$ | 109,499        |
| Additions                                |    | -              |
| Effect of movements in<br>exchange rates |    | 7,237          |
| Balance, at December 31, 2020            | \$ | <u>116,736</u> |
| Balance, at January 1, 2021              | \$ | 116,736        |
| Additions                                |    | -              |
| Effect of movements in<br>exchange rates |    | 1,175          |
| Balance, at September 30, 2021           | \$ | <u>117,911</u> |

**Accumulated depreciation**

|                                          |    |               |
|------------------------------------------|----|---------------|
| Balance, at January 1, 2020              | \$ | 3,041         |
| Depreciation for the year                |    | 36,853        |
| Effect of movements in<br>exchange rates |    | 2,260         |
| Balance, at December 31, 2020            | \$ | <u>42,154</u> |
| Balance, at January 1, 2021              | \$ | 42,154        |
| Depreciation for the period              |    | 29,466        |
| Effect of movements in<br>exchange rates |    | 437           |
| Balance, at September 30, 2021           | \$ | <u>72,057</u> |

**Carrying amount**

|                          |    |               |
|--------------------------|----|---------------|
| As at December 31, 2020  | \$ | <u>74,582</u> |
| As at September 30, 2021 | \$ | <u>45,854</u> |

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**9. Share Capital and Reserves**

**Issuance of common shares**

There was no common share issued during the period ended September 30, 2021 and year ended December 31, 2020.

**Common shares and preferred shares**

At September 30, 2021, the authorized share capital comprised of unlimited voting common shares without par value and 20,000,000 preferred shares.

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

47,364,983 common shares are issued and outstanding as at September 30, 2021 and December 31, 2020. No preferred shares have been issued to date.

**Accumulated other comprehensive income (“AOCI”)**

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

**10. Share Purchase Options and Warrants**

**(a) Stock options**

At September 30, 2021, the Group has the following share-based payment arrangements:

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

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**10. Share Purchase Options and Warrants - Continued**

(a) Stock options - Continued

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

|                             | Number of<br>Shares | Weighted<br>Average<br>Exercise Price<br>Per Share<br>(CAD) |
|-----------------------------|---------------------|-------------------------------------------------------------|
| Balance, December 31, 2019  | 3,700,000           | 0.11                                                        |
| Expired during the year     | (2,700,000)         | 0.10                                                        |
| Granted during the year     | 1,030,000           | 0.10                                                        |
| Balance, December 31, 2020  | 2,030,000           | 0.12                                                        |
| Granted during the period   | 2,700,000           | 0.10                                                        |
| Expired during the period   | -                   |                                                             |
| Balance, September 30, 2021 | 4,730,000           | 0.12                                                        |

On August 17, 2020, the Group granted incentive stock options of 1,030,000 shares at CAD\$0.10 per share expiring on August 17, 2025 which exceeds the market price at the grant date to directors and employee for their past services. The stock options are vested immediately. The total fair value of the stock options granted was CAD\$22,530 (\$16,795). The grant date fair value of share-based payment plans was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.39% per annum, expected volatility: 126.14%, dividend yield: \$nil and forfeiture rate: 0%.

On November 25, 2020, 2,700,000 stock options at an exercise price of CAD\$0.10 each expired and unexercised.

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**10. Share Purchase Options and Warrants - Continued**

**(a) Stock options - Continued**

On July 12, 2021, the Company granted 2,600,000 stock options at an exercise price of CAD\$0.10 each to directors and employees expiring on July 12, 2026. 2,400,000 stock options are vested immediately and 200,000 stock options with every one-third of the options are vested after six months, 18 months and 30 months from the date of grant. Granting of these stock options is subject to the approval of the TSX Venture Exchange. The total fair value of the stock options granted was CAD\$44,200 (\$35,324). The grant date fair value of share-based payment plans was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.93% per annum, expected volatility: 75.94%, dividend yield: \$nil and forfeiture rate: 0%.

On July 12, 2021, the Company granted 100,000 stock options at an exercise price of CAD\$0.10 each to an investor relation company expiring on July 12, 2023. 25% of the options are vested every three months after the date of grant. Granting of these stock options is subject to the approval of the TSX Venture Exchange. The total fair value of the stock options granted was CAD\$920 (\$735). The grant date fair value of share-based payment plans was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan were interest rate: 0.48% per annum, expected volatility: 86.39%, dividend yield: \$nil and forfeiture rate: 0%.

Total share-based payment for the period ended September 30, 2021 was \$33,678 (2020: \$nil).

The 4,730,000 options outstanding at September 30, 2021 have an exercise price in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2020: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 3.65 years (December 31, 2020: 3.04 years).

There are 4,455,000 options exercisable at September 30, 2021 (December 31, 2020: 2,030,000), which have an exercise price of in the range of CAD\$0.10 to CAD\$0.14 (December 31, 2020: in the range of CAD\$0.10 to CAD\$0.14) and a weighted average contractual life of 3.63 years (December 31, 2020: 3.04 years).

**(b) Share purchase warrants**

At September 30, 2021 and December 31, 2020, there was no outstanding warrant.

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**11. Trade and Other Payables**

|                                         | September 30,<br>2021 | December 31,<br>2020 |
|-----------------------------------------|-----------------------|----------------------|
| Trade payables                          | \$ 2,608,226          | \$ 1,737,208         |
| Other payables                          | 1,267,313             | 762,609              |
| Non-trade payables and accrued expenses | 508,209               | 531,543              |
|                                         | <u>\$ 4,383,748</u>   | <u>\$ 3,031,360</u>  |

**12. Taxes Payable**

|                    | September 30,<br>2021 | December 31,<br>2020 |
|--------------------|-----------------------|----------------------|
| Income tax payable | \$ 33,060             | \$ -                 |
| Other tax payable  | 68,551                | 67,546               |
|                    | <u>\$ 101,611</u>     | <u>\$ 67,546</u>     |

**13. Lease Obligations**

TTTC has a lease for office premises in China in the amount of \$3,420 in advance per month, until December 4, 2022. The Group recognized a right-of use asset (Note 8) and corresponding lease obligations calculated using incremental borrowing rate of 6.525%, analyzed as follows:

**USD**

|                                        |                  |
|----------------------------------------|------------------|
| Balance, December 31, 2019             | \$ 100,028       |
| Effects of movements in exchange rates | 3,223            |
| Interest                               | 6,088            |
| Payments                               | (35,581)         |
| Balance, December 31, 2020             | 73,758           |
| Current portion                        | 42,697           |
| Long-term portion                      | <u>\$ 31,061</u> |

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**13. Lease Obligations - Continued**

**USD**

|                                        |           |
|----------------------------------------|-----------|
| Balance, December 31, 2020             | \$ 73,758 |
| Effects of movements in exchange rates | 742       |
| Interest                               | 3,005     |
| Payments                               | (32,344)  |
| Balance, September 30, 2021            | 45,160    |
| Current portion                        | 37,992    |
| Long-term portion                      | \$ 7,168  |

During the period ended September 30, 2021, the Group made lease payment of \$32,344 (2020: \$23,943) and incurred interest accretion of \$3,005 (2020: \$4,601) recorded in finance cost in the statement of income (loss) and comprehensive income (loss).

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**14. Loans Payable**

Terms and conditions of outstanding loans as at September 30, 2021 and December 31, 2020 from unrelated individuals are summarized as follows:

| <b>September 30, 2021</b> |                  |                   |                    |           |                         |                  |
|---------------------------|------------------|-------------------|--------------------|-----------|-------------------------|------------------|
|                           | <b>Principal</b> |                   |                    |           | <b>Interest payable</b> |                  |
|                           |                  | U.S.<br>dollars   | Annual<br>interest | Due       |                         | U.S.<br>dollars  |
|                           | RMB<br>¥         | equivalent<br>\$  | rate               | date      | RMB<br>¥                | equivalent<br>\$ |
| Unsecured loan (1)        | 3,360,000        | 519,523           | 0%                 | On demand | -                       | -                |
| Unsecured loan (4)        | 500,000          | 77,310            | 10%                | On demand | 37,397                  | 5,782            |
| Unsecured loan (5)        | 150,000          | 23,193            | 10%                | On demand | 11,219                  | 1,735            |
| Unsecured loan (6)        | 1,200,000        | 185,544           | 15%                | On demand | 62,630                  | 9,684            |
|                           | <u>5,210,000</u> | <u>805,570</u>    |                    |           | <u>111,246</u>          | <u>17,201</u>    |
| Loan payable              |                  | \$ 805,570        |                    |           |                         |                  |
| Interest payable          |                  | <u>17,201</u>     |                    |           |                         |                  |
| Total                     |                  | <u>\$ 822,771</u> |                    |           |                         |                  |

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**14. Loans Payable - Continued**

| <b>December 31, 2020</b> |                  |                                |                             |                 |                                |           |
|--------------------------|------------------|--------------------------------|-----------------------------|-----------------|--------------------------------|-----------|
|                          | <b>Principal</b> |                                |                             | <b>Due date</b> | <b>Interest payable</b>        |           |
|                          |                  | <b>U.S. dollars equivalent</b> | <b>Annual interest rate</b> |                 | <b>U.S. dollars equivalent</b> |           |
|                          | <b>RMB<br/>¥</b> | <b>\$</b>                      |                             |                 | <b>RMB<br/>¥</b>               | <b>\$</b> |
| Unsecured loan (1)       | 3,360,000        | 514,349                        | 0%                          | On demand       | -                              | -         |
| Unsecured loan (2)       | 500,000          | 76,540                         | 10%                         | On demand       | -                              | -         |
| Unsecured loan (3)       | 200,000          | 30,616                         | 10%                         | On demand       | -                              | -         |
| Unsecured loan (4)       | 500,000          | 76,540                         | 10%                         | On demand       | -                              | -         |
| Unsecured loan (5)       | 150,000          | 22,962                         | 10%                         | On demand       | -                              | -         |
|                          | <u>4,710,000</u> | <u>721,007</u>                 |                             |                 | <u>-</u>                       | <u>-</u>  |
| Loan payable             |                  | \$ 721,007                     |                             |                 |                                |           |
| Interest payable         |                  | -                              |                             |                 |                                |           |
| Total                    |                  | <u>\$ 721,007</u>              |                             |                 |                                |           |

- (1) The loan matured on June 24, 2018 and became due on demand. As at September 30, 2021, there was no interest accrued in relation to this loan. The borrowing costs of RMB 75,000 (\$11,341) has been fully amortized during the year ended December 31, 2018.
- (2) In June 2020, the Group borrowed a loan of RMB 500,000 (\$76,300) from a director of ZYCY. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the period ended September 30, 2021, the loan was fully repaid with interest paid of RMB23,260 (\$3,595) in relation to this loan.
- (3) In August 2020, the Group borrowed a loan of RMB 200,000 (\$30,520) from a director of ZYCY. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the period ended September 30, 2021, the loan was fully repaid with interest paid of RMB4,932 (\$762) in relation to this loan.
- (4) In June 2020, the Group borrowed a loan of RMB 500,000 (\$77,310) from a director of TTTC. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the period ended September 30, 2021, there was interest accrued of RMB37,397 (\$5,782) in relation to this loan.

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**14. Loans Payable - Continued**

- (5) In November 2020, the Group borrowed a loan of RMB 150,000 (\$23,193) from an arm-length party. The loan bears an annual interest rate of 10% and is repayable on demand. The loan is secured by the bank balance maintained at a local bank in China. During the period ended September 30, 2021, there was interest accrued of RMB11,219 (\$1,735) in relation to this loan.
- (6) In June 2021, the Group borrowed a loan of RMB 1,200,000 (\$185,544) from a third-party. The loan bears an annual interest rate of 15% and is repayable on demand. The loan is secured by part of the ownership of a subsidiary in China. During the period ended September 30, 2021, there was interest accrued of RMB62,630 (\$9,684) in relation to this loan.

**15. General and Administrative Expenses**

The breakdown of Group's general and administrative expenses for the periods ended September 30, 2021 and 2020 was as follows:

|                                        | <b>Three months ended</b> |                   | <b>Nine months ended</b> |                   |
|----------------------------------------|---------------------------|-------------------|--------------------------|-------------------|
|                                        | <b>September 30,</b>      |                   | <b>September 30,</b>     |                   |
|                                        | <b>2021</b>               | <b>2020</b>       | <b>2021</b>              | <b>2020</b>       |
| Accounting and audit                   | \$ 43,150                 | \$ 41,846         | \$ 132,042               | \$ 121,536        |
| Administrative and office              | 2,131                     | 6,325             | 11,988                   | 12,519            |
| Consulting                             | 36,181                    | 43,405            | 111,881                  | 110,214           |
| Filing and listing                     | 5,038                     | 5,505             | 16,740                   | 15,800            |
| Investor relations                     | 2,726                     | 1,416             | 7,245                    | 7,471             |
| Legal and professional                 | 317                       | 258               | 12,430                   | 6,850             |
| Meals and entertainment                | 4,901                     | 4,341             | 10,412                   | 6,987             |
| Miscellaneous                          | 2,633                     | 655               | 10,643                   | 2,269             |
| Registrar & transfer agent fees        | 460                       | 475               | 1,936                    | 1,490             |
| Rent                                   | 11,119                    | 23,391            | 48,879                   | 57,590            |
| Salaries, wages, commission & benefits | 278,102                   | 144,503           | 697,797                  | 437,371           |
| Technology development                 | 37,799                    | 31,202            | 112,675                  | 103,545           |
| Travel                                 | 3,668                     | 4,450             | 15,090                   | 15,558            |
|                                        | <u>\$ 461,904</u>         | <u>\$ 324,412</u> | <u>\$ 1,223,435</u>      | <u>\$ 915,840</u> |

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**16. Selling Commission, Marketing and Copyrights**

The breakdown of Group's selling commission, marketing and copyrights for the periods ended September 30, 2021 and 2020 was as follows:

|                               | <b>Three months ended</b> |                   | <b>Nine months ended</b> |                     |
|-------------------------------|---------------------------|-------------------|--------------------------|---------------------|
|                               | <b>September 30,</b>      |                   | <b>September 30,</b>     |                     |
|                               | <b>2021</b>               | <b>2020</b>       | <b>2021</b>              | <b>2020</b>         |
| Commission expense            | 3,373                     | 95,833            | 69,405                   | 179,046             |
| Consulting                    | -                         | -                 | 616,610                  | -                   |
| Copyright                     | 6,182                     | 2,585             | 6,182                    | 4,538               |
| Meals and entertainment       | 6,183                     | 4,924             | 19,099                   | 7,163               |
| Office expenses               | 884                       | 2,779             | 6,600                    | 3,805               |
| Production fee                | 4,408                     | 81,085            | 14,957                   | 142,719             |
| Promotion fee                 | 17,695                    | 137,707           | 455,471                  | 331,428             |
| Rent                          | -                         | -                 | 3,374                    | -                   |
| Service fee                   | 39,185                    | 68,485            | 95,612                   | 140,699             |
| Training                      | 57,056                    | -                 | 171,191                  | -                   |
| Transportation and repairment | 7,354                     | -                 | 16,739                   | -                   |
| Travel                        | 5,355                     | 92,866            | 159,683                  | 342,399             |
| Wages and salaries            | 20,293                    | 22,784            | 60,722                   | 67,981              |
|                               | <u>\$ 167,969</u>         | <u>\$ 509,048</u> | <u>\$ 1,695,644</u>      | <u>\$ 1,219,778</u> |

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**17. Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's financial instruments consist of cash and cash equivalents, restricted cash, account and other receivables (excluding GST and VAT receivables), trade and other payables, loans payable, bank loan, loan payable – related parties, due to related parties and lease obligations.

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

**(a) Credit risk**

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash and accounts and other receivables (excluding GST and VAT receivables). The Group has no significant concentration of credit risk arising from operations. Management assesses the credit risk concentration with respect to accounts and other receivables annually and adjusts them accordingly. The Group limits its exposure to credit risk by holding its cash in deposits with high credit quality Chinese and Canadian financial institutions.

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

|                                                                    | <b>Carrying amount</b>        |                              |
|--------------------------------------------------------------------|-------------------------------|------------------------------|
|                                                                    | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
| Accounts and other receivables (excluding GST and VAT receivables) | \$ 5,809,377                  | \$ 3,050,357                 |
| Cash and cash equivalent                                           | 1,373,303                     | 2,406,396                    |
| Restricted cash                                                    | 899,888                       | 892,053                      |
|                                                                    | <u>\$ 8,082,568</u>           | <u>\$ 6,348,806</u>          |

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

|       | <b>Carrying amount</b>        |                              |
|-------|-------------------------------|------------------------------|
|       | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> |
| China | <u>\$ 5,488,568</u>           | <u>\$ 2,970,573</u>          |

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**17. Financial Risk Management - Continued**

**(a) Credit risk - Continued**

100% of the Group's revenue for the periods ended September 30, 2021 and 2020 was derived from customers located in China. Three (December 31, 2020: three) customers represent in excess of 10% of accounts receivable at September 30, 2021. Two (2020: two) customers represent in excess of 10% of total revenue for the period ended September 30, 2021. The Group's most significant customers accounted for \$1,699,125 of receivables carrying amount at September 30, 2021 (December 31, 2020: \$832,047).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. As of September 30, 2021, the Group made provision of accounts receivable of \$1,145,376 (December 31, 2020: \$1,133,968).

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At September 30, 2021, the Group had a net working capital of \$495,258 (December 31, 2020: \$514,209). 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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**17. Financial Risk Management - Continued**

(c) Market risk - Continued

(ii) Foreign currency exchange rate risk

The Group is exposed to foreign exchange rate when the Group undertakes transactions and hold assets and liabilities in currencies other than its functional currencies. The Group currently does not use derivative instruments to hedge its exposure to those risks. As at September 30, 2021, the Group is subject to immaterial currency risk as it did not have material assets or liabilities held in currencies other than its functional currencies.

(d) Fair values

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

(e) Capital management

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

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

There were no changes in the Group's approach to capital management during the period ended September 30, 2021 and year ended December 31, 2020. Neither the Group nor its subsidiaries are subject to externally imposed capital requirements.

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**18. Operating Segments**

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

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

**Geographical segments**

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

**19. Related Parties Transactions**

All related party transactions are recorded in the normal course of operations on normal commercial terms and conditions and at market rates, which is the amount of consideration established and agreed to by the related parties.

**Key management personnel and director transactions**

Directors of the Group control approximately 13.7% percent of the voting shares of the Group as at September 30, 2021 and December 31, 2020.

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

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

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**19. Related Parties Transactions – Continued**

**Key management personnel and director transactions – Continued**

| Director/Officer             | Transaction           | Three months ended<br>September 30, |                  | Nine months ended<br>September 30, |                   |
|------------------------------|-----------------------|-------------------------------------|------------------|------------------------------------|-------------------|
|                              |                       | 2021                                | 2020             | 2021                               | 2020              |
| C F Zhou (director and CEO)  | Consulting fees (i)   | \$ 36,443                           | \$ 33,676        | \$ 109,328                         | \$ 101,028        |
| C F Zhou (director and CEO)  | Interest expense (ii) | 4,916                               | 4,543            | 14,588                             | 13,530            |
| Danny Hon (director and CFO) | Accounting fees (iii) | 18,860                              | 19,049           | 60,417                             | 54,497            |
| Danny Hon (director and CFO) | Interest expense (iv) | 2,117                               | 1,956            | 6,282                              | 5,825             |
|                              |                       | <u>\$ 62,335</u>                    | <u>\$ 59,223</u> | <u>\$ 190,615</u>                  | <u>\$ 174,881</u> |

| Director/Officer             | Balance                       | September 30,       | December 31,        |
|------------------------------|-------------------------------|---------------------|---------------------|
|                              |                               | 2021                | 2020                |
| C F Zhou (director and CEO)  | Consulting fees payable (i)   | \$ 1,718,867        | \$ 1,611,204        |
| C F Zhou (director and CEO)  | Loan payable (ii)             | 127,698             | 127,789             |
| C F Zhou (director and CEO)  | Loan interest payable (ii)    | 167,640             | 153,422             |
| Danny Hon (director and CFO) | Accounting fees payable (iii) | 747,746             | 695,017             |
| Danny Hon (director and CFO) | Loan payable (iv)             | 54,982              | 55,021              |
| Danny Hon (director and CFO) | Loan interest payable (iv)    | 83,038              | 76,924              |
|                              |                               | <u>\$ 2,899,972</u> | <u>\$ 2,719,377</u> |

- (i) The consulting fees owing to C F Zhou as at September 30, 2021 is unsecured, due on demand with no interest.
- (ii) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at September 30, 2021, there was an interest payable balance of \$167,640 (December 31, 2020: \$153,422) owed to C F Zhou.
- (iii) The Group engaged a company, which is controlled by Danny Hon, to provide accounting services. The balance owing to this company controlled by Danny Hon as at September 30, 2021 is unsecured, due on demand and bears no interest.
- (iv) The short-term loans were unsecured and due on demand with an annual interest rate of 15%. As at September 30, 2021, there was an interest payable balance of \$83,038 (December 31, 2020: \$76,924) owed to Danny Hon.

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**20. Non-controlling Interests**

The following subsidiary has material non-controlling interests (“NCI”):

| Name                         | Principal place of business/Country of incorporation | Operating segment | Ownership interests held by NCI |                   |
|------------------------------|------------------------------------------------------|-------------------|---------------------------------|-------------------|
|                              |                                                      |                   | September 30, 2021              | December 31, 2020 |
| Zhong Yu Cheng Yuan ("ZYCY") | China                                                | Textbook sales    | 40%                             | 40%               |

The following is summarized financial information for ZYCY, prepared in accordance with IFRS.

The information is before inter-company eliminations with other companies in the Group.

| Amount in USD                                         | Three months ended September 30, |              | Nine months ended September 30, |              |
|-------------------------------------------------------|----------------------------------|--------------|---------------------------------|--------------|
|                                                       | 2021                             | 2020         | 2021                            | 2020         |
| Revenue                                               | \$ 892,129                       | \$ 360,034   | \$ 4,813,425                    | \$ 3,504,784 |
| Net income (loss)                                     | (171,551)                        | (356,012)    | (371,303)                       | (90,098)     |
| Net income (loss) attributable to NCI                 | (68,620)                         | (142,405)    | (148,521)                       | (36,039)     |
| Other comprehensive income (loss)                     | (3,531)                          | 90,480       | 27,161                          | 54,950       |
| Total comprehensive income (loss)                     | (175,082)                        | (265,532)    | (344,142)                       | (35,148)     |
| Total comprehensive income (loss) attributable to NCI | \$ (70,033)                      | \$ (106,213) | \$ (137,657)                    | \$ (14,059)  |

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**20. Non-controlling Interests - Continued**

| Amount in USD           | September 30,<br>2021 | December 31,<br>2020 |
|-------------------------|-----------------------|----------------------|
| Current assets          | \$ 5,269,157          | \$ 4,498,076         |
| Non-current assets      | 1,464                 | 2,207                |
| Current liabilities     | (2,501,770)           | (1,388,655)          |
| Non-current liabilities | (137,028)             | (135,663)            |
| Net assets              | \$ 2,631,823          | \$ 2,975,965         |

| Amount in USD                                        | Three months ended<br>September 30, |              | Nine months ended<br>September 30, |              |
|------------------------------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
|                                                      | 2021                                | 2020         | 2021                               | 2020         |
| Cash flow provided by (used in) operating activities | \$ (594,298)                        | \$ (359,917) | \$ (841,067)                       | \$ (806,354) |
| Cash flow used in investing activities               | (1,524)                             | -            | (1,524)                            | -            |
| Cash flow provided by financing activities           | -                                   | (284,380)    | -                                  | -            |
| Effect on foreign translation                        | 128                                 | 31,423       | (35,694)                           | (45,650)     |
| Net increase (decrease) in cash and cash equivalent  | \$ (595,694)                        | \$ (612,874) | \$ (878,286)                       | \$ (852,004) |
| Dividend paid to NCI during the period               | \$ -                                | \$ -         | \$ -                               | \$ -         |

**21. Contingent Liabilities**

In November 2019, a local Chinese company (“plaintiff”) filed a legal claim in China against TTTC for RMB5,820,000 (\$899,888) as their commission income. The amount subject to the claim has been held as restricted cash. The legal case has been heard in court. However, the decision has not been released by the court as of the release date of the consolidated financial statements due to COVID-19 pandemic. Management is of the opinion that the legal claim is without merit and remote as the plaintiff could not provide any contractual evidence demonstrating that TTTC has engaged for their services. No provision of the potential liability has been made in the consolidated financial statements.