China Education Resources Inc.

Audited Consolidated Financial Statements
(Expressed in U.S. Dollars)

Years Ended December 31, 2014 and 2013

Management's Responsibility for Financial Reporting

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 30, 2015

(signed)
"Chengfeng Zhou"
Chief Executive Officer

(signed)
"Danny Hon"
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the shareholders of China Education Resources Inc.:

We have audited the consolidated financial statements of financial position of China Education Resources Inc. (the "Company") and its subsidiaries as at December 31, 2014 and 2013 and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Vancouver, British Columbia
April 30, 2015

Chartered Accountants

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Financial Position

December 31, 2014 and 2013

(Expressed in U.S. Dollars)

As AT	Note	**December 31, 2014**	**December 31, 2013**
Assets			
Current assets			
Cash and cash equivalents		$ 586,156	$ 1,202,017
Restricted cash	5	695,902	-
Accounts and other receivables	6	5,864,927	5,243,142
Due from related parties		176,219	132,005
Prepaid expenses and deposits		30,844	31,694
Total current assets		7,354,048	6,608,858
Non-current assets			
Property, plant and equipment	7	76,442	100,237
Total non-current assets		76,442	100,237
Total assets		$ 7,430,490	$ 6,709,095
Liabilities			
Current liabilities			
Trade and other payables	11	$ 4,931,750	$ 4,627,999
Deferred revenue		550,319	67,597
Income taxes payable		2,980,300	3,028,217
Advance from a third party	12	219,110	-
Bank loan - current portion	14	6,924	25,226
Loan payables	13	457,667	281,573
Loan payables - related parties	19	391,346	467,753
Due to related parties	19	1,197,182	1,056,355
Total current liabilities		10,734,598	9,554,720
Non-current liabilities			
Bank loan	14	-	7,100
Total non-current liabilities		-	7,100
Total liabilities		10,734,598	9,561,820
Shareholders' Equity			
Share capital	8	29,455,512	29,455,512
Contributed surplus		2,559,649	2,559,649
Accumulated other comprehensive income		323,484	140,488
Deficit		(36,388,652)	(35,597,256)
Total shareholders' deficiency attributable to shareholders' of the Company		(4,050,007)	(3,441,607)
Non-controlling interest		745,899	588,882
Total deficiency		(3,304,108)	(2,852,725)
Total liabilities and shareholders' equity		$ 7,430,490	$ 6,709,095

Approved by the Board:

"Chengfeng Zhou" Director

"Danny Hon" Director

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

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(Expressed in U.S. Dollars)

	Note	2014	2013
Revenue			
Book sales and distribution services		$ 7,003,498	$ 5,732,836
Online products		3,697,164	4,352,586
		10,700,662	10,085,422
Cost of sales			
Book sales and distribution services		(3,900,867)	(2,945,125)
Online products		(1,553,221)	(1,990,598)
Gross profit		5,246,574	5,149,699
Amortization		(18,241)	(20,747)
General and administrative		(1,286,543)	(1,497,086)
Goodwill impairment		-	(2,221,441)
Selling expenses		(4,273,842)	(3,362,290)
Share-based payment	10	-	(71,010)
Recovery of accounts receivable written off		-	6,663
Other expense		(24,349)	-
Other income		34,016	1,943
Operating loss		(322,385)	(2,014,269)
Finance income		13,273	3,202
Finance costs		(172,994)	(240,634)
Net finance costs		(159,721)	(237,432)
Net loss before income taxes		(482,106)	(2,251,701)
Income taxes		(128,674)	(218,260)
Net loss for the year		$ (610,780)	$ (2,469,961)
Other comprehensive income for the year, net of income taxes			
Unrealized exchange gain on translation of foreign operations		159,397	183,533
Other comprehensive income for the year, net of income tax		159,397	183,533
Compreshensive loss for the year		$ (451,383)	$ (2,286,428)
Net income (loss) attributable to:			
Shareholders of the Company		$ (791,396)	$ (2,718,360)
Non-controlling interest		$ 180,616	248,399
Net loss for the year		$ (610,780)	$ (2,469,961)
Comprehensive income (loss) attributable to:			
Shareholders of the Company		$ (608,400)	$ (2,556,123)
Non-controlling interest		$ 157,017	269,695
Comprehensive income for the year		$ (451,383)	$ (2,286,428)
Income per share			
Basic and diluted income per share	9	$ (0.02)	$ (0.06)
Weighted average number of common shares used to calculate basic and diluted income per share		47,364,982	47,364,982

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

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

	Attributable to equity holders of the Company							
(Expressed in U.S. Dollars)	**Number of Shares**	**Share Capital**	**Contributed Surplus**	**Cumulative translation account**	**Deficit**	**Total**	**Non-controlling interest**	**Total deficiency**
Balance January 1, 2013	47,364,983	$ 29,455,512	$ 2,488,639	$ (21,749)	$ (32,878,896)	$ (956,494)	$ 319,187	$ (637,307)
Net loss for the year ended December 31, 2013	-	-	-	-	(2,718,360)	(2,718,360)	248,399	(2,469,961)
Foreign currency translation differences	-	-		162,237	-	162,237	21,296	183,533
Share-based payment	-	-	71,010	-	-	71,010	-	71,010
Balance December 31, 2013	47,364,983	$ 29,455,512	$ 2,559,649	$ 140,488	$ (35,597,256)	$ (3,441,607)	$ 588,882	$ (2,852,725)
Net loss for the year ended December 31, 2014	-	-	-	-	(791,396)	(791,396)	180,616	(610,780)
Foreign currency translation differences	-	-	-	182,996	-	182,996	(23,599)	159,397
Balance December 31, 2014	47,364,983	$ 29,455,512	$ 2,559,649	$ 323,484	$ (36,388,652)	$ (4,050,007)	$ 745,899	$ (3,304,108)

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

CHINA EDUCATION RESOURCES INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(Expressed in U.S. Dollars)

	2014	2013
Cash flows from operating activities		
Income for the year	$ (610,780)	$ (2,469,961)
Adjustments for:		
Amortization	18,241	20,753
Goodwill impairment	-	2,221,441
Loss on disposal of equipment	20,671	-
Provision of accounts receivable	17,082	105,971
Recovery of accounts receivable written off	(14,442)	(2,635)
Share-based payment	-	71,010
Changes in accounts and other receivable	(759,371)	(1,377,006)
Changes in prepaid expenses and deposits	188	29,004
Changes in trade and other payables	401,241	1,604,212
Changes in income taxes payable	184,670	283,539
Changes in deferred revenue	487,995	(30,154)
	(254,505)	456,174
Interest paid	(170,798)	(123,138)
Taxes paid	(170,767)	(24,756)
Net cash provided by (used in) operating activities	(596,070)	308,280
Cash flows from investing activities		
Acquisition to Equipment	(16,560)	(6,676)
Net cash provided (used in) investing activities	(16,560)	(6,676)
Cash flows from financing activities		
Loan payables from third parties	512,411	73,197
Repayment of related party loans	(515,277)	(68,898)
Proceeds from related parties	575,179	182,276
Change in restricted cash	(695,902)	-
Net cash provided by (used in) financing activities	(123,589)	186,575
Net increase (decrease) in cash	(736,219)	488,179
Cash, beginning of the year	1,202,017	580,377
Effect of exchange rate fluctuations on cash held	120,358	133,461
Cash, end of the year	$ 586,156	$ 1,202,017

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

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

1. Reporting Entity

China Education Resources Inc. ("the Company") is a company domiciled in Canada. The address of the Company's registered office is Suite 300, 515 West Pender Street, Vancouver, B.C., V6B 6H5. The consolidated financial statements of the Company as at and for the year ended December 31, 2014 and December 31, 2013 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group provides an education internet portal with educational content, resources and training programs to users in People's Republic of China ("China") and distributes educational textbooks and materials developed by the Group to bookstores and schools in China.

2. Going Concern

As at December 31, 2014, the Group has working capital deficiency of $3,380,550 (December 31, 2013: $2,945,862). In addition, the Group has trade and other payables, bank loan, advance from a third party, loan payables, loan payables - related parties, and due to related parties to be matured within the next twelve months in the amount of $7,203,979 (December 31, 2013: $6,458,906). As at December 31, 2014, the Group has cash and cash equivalents balance of $586,156 (December 31, 2013: $1,202,017). The appropriateness of using the going concern basis is dependent upon, among other things, the acceptance of the education internet portal by the users to achieve a profitable level of operations by the Group. The outcome of these matters cannot be predicted at this time. Specifically, it is dependent upon the ability of the Group to obtain necessary financing.

The application of the going concern basis of presentation assumes that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is, primarily as a result of the conditions described above, significant doubt as to the appropriateness of the use of the going concern assumption. The accompanying consolidated financial statements have been prepared on a going concern basis notwithstanding these conditions.

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

3. Basis of Preparation

(a) Statement of compliance

These 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 December 31, 2014.

The policies applied in these consolidated financial statements are based on IFRS issued as of December 31, 2014. These financial statements were authorized to issue by the audit committee and Board of Directors of the Group on April 30, 2015.

3. Basis of Preparation - Continued

(b) Basis of preparation

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

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

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. Changes in ownership interest in a subsidiary without loss of control are accounted for as transactions with equity holders in their capacity as equity holders; therefore no goodwill is recognized as a result of such transactions. A summary of the Company's subsidiaries are as follows:

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

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

3. Basis of Preparation - Continued

(c) Use of estimates and judgments

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

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

Areas of assumptions and estimates

(i) Allowance for doubtful accounts

The Group extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by actively pursuing past due accounts. As at December 31, 2014, allowance for doubtful accounts is $17,082 (December 31, 2013 - $105,971) based on management's assessment of credit history with the customers and current relationships with them.

(ii) Deferred taxes

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

(iii) Share-based payments

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

3. Basis of Preparation - Continued

(c) Use of estimates and judgments - Continued

Areas of judgment

(i) Going concern

Management has applied judgments in the assessment of the Group's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 2014 and 2013. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubt as to the ability of the Group to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

(ii) Joint Arrangement

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

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group and its subsidiaries at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of operations.

4. Significant Accounting Policies - Continued

(a) Foreign currency - Continued

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income in the accumulated of other comprehensive income (loss).

(b) Financial instruments – Recognition ad Measurements

All financial instruments are classified into one of five categories: fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are initially measured at fair value plus directly attributable transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- fair value through profit and loss financial instruments are measured at fair value and changes in fair value are recognized in profit or loss;
- available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the asset is derecognized or impaired at which time the amounts would be recorded in profit or loss;
- loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest method.

The Group has classified its financial instruments as follows:

Cash and cash equivalents, restricted cash	Fair value through profit and loss
Accounts receivable	Loans and receivables
Trade and other payables, due to related parties	Other financial Liabilities
Advance from a third party	Other financial Liabilities
Loan payables (including related parties loan), bank loan	Other financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4. Significant Accounting Policies - Continued

(c) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks, cash on hand and short-term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash. The Company's subsidiary ZYCY regularly invested the cash in short-term money market. As of December 31, 2014, ZYCY has a short-term investment of RMB 3,000,000 ($483,300) (2013: $nil) with Bank of Communications in China and the short-term investment is denominated in RMB dollar.

(d) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(e) Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Amortization is provided over the estimated useful lives of assets as follows:

Computer equipment	2 to 5 years
Software	2 years
Office equipment	2 to 5 years
Motor vehicle	3 to 10 years
Website development costs	3 years

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period in which the item is derecognized.

4. Significant Accounting Policies – Continued

(f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventory consists of books and CD products that are recorded at the lower of cost and net realizable value. Costs are mainly printing cost and material cost. Net realizable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion, discounts, commissions and other selling expenses necessary to make the sale.

(h) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

4. Significant Accounting Policies – Continued

(i) Impairment of financial assets – Continued

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(j) Share-based payment transactions

The Group grants stock options to acquire common shares to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

(k) Revenue

(i) Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. Revenue is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenues received in advance of these criteria are deferred until future periods.

4. Significant Accounting Policies – Continued

(k) Revenue

(ii) Services

Revenue from services rendered is recognized in the consolidated statements of comprehensive loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Teacher training services provided through the internet portal are recognized when services are rendered and it is probable that the economic benefits will flow to the Group, the amount of revenue and the stage of completion can be measured reliably. Revenues received in advance of these criteria are deferred until future periods.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Significant Accounting Policies - Continued

(m) Finance income and finance costs

Finance income comprises interest income on funds invested that are recognized in statement of operations. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognized in the statements of comprehensive loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Loss per share

The Group presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

(o) New standards and interpretations adopted during the year

The Group adopted the following new standards during the year:

Amendments to IAS 36, Impairment of assets

On January 1, 2014, the Company adopted amendments to IAS 32. The amendments to IAS 32 addressed inconsistencies in applying criteria for offsetting financial assets and financial liabilities. The meaning of the offsetting criterion “currently has a legally enforceable right to set off” has been clarified, to state the right must not be contingent on future events and must be enforceable in the normal course of business, in event of default and in the event of insolvency or bankruptcy. The adoption of the new standard did not have any significant impact on the consolidation financial statements of the Company.

(n) New standards and interpretations not yet adopted during the year

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

4. Significant Accounting Policies – Continued

(n) New standards and interpretations not yet adopted during the year - Continued

IFRS 8 Operating Segments (Amendment)

As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IFRS 8, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in March 2014, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

IAS 24 Related Party Disclosures (Amendment)

As part of the Annual Improvements to 2010 – 2012 cycle, the amendments to IAS 24, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

IFRS 9 Financial instruments

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

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

5. Restricted cash

On May 6, 2014, the Company's subsidiary TTTC entered into a strategic cooperation agreement with an arm's length party ("Teacher.com"). Pursuant to the terms of the agreement, a bank account and an independent team have been set up under TTTC to develop online training projects. The funds held in the bank account as at December 31, 2014 are presented as restricted cash on the Group's statements of financial position and can only be used to fund the activities related to developing online training projects.

6. Accounts and Other Receivable

	December 31, 2014	December 31, 2013
Trade receivables	$ 5,822,135	$ 5,217,138
Other receivables	42,792	26,004
	5,864,927	5,243,142

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

	December 31, 2014	December 31, 2013
Past due within 3 months	$ 1,690,780	$ 2,303,017
Past due 4-6 months	4,160,004	277,036
Past due 7-12 months	9,829	2,658,948
More than 1 year	4,314	136,146
	$ 5,864,927	$ 5,375,147

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

	2013
Balance at January 1	$ 306,415
Charge for the year	103,336
Utilized	(306,415)
Balance at December 31	$ 103,336

6. Accounts and Other Receivable - Continued

	2014
Balance at January 1	$ 103,336
Charge for the year	17,082
Utilized	(103,336)
Balance at December 31	$ 17,082

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

Subsequent to December 31, 2014, the Group has collected $3,830,705.

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7. Property, Plant and Equipment

	Computer equipment	Office equipment	Motor vehicles	Leasehold improvement	Website development	Total
Cost						
Balance, at January 1, 2013	$ 495,733	$ 35,465	$ 363,643	$ 57,643	$ 3,377,969	$ 4,330,453
Additions	5,920	756	-	-	-	6,676
Disposals	-	-	-	-	-	-
Effect of movements in exchange rates	29,503	648	10,481	1,677	108,382	150,691
Balance, at December 31, 2013	$ 531,156	$ 36,869	$ 374,124	$ 59,320	$ 3,486,351	$ 4,487,820
Balance, at January 1, 2014	$ 531,156	$ 36,869	$ 374,124	$ 59,320	$ 3,486,351	$ 4,487,820
Additions	15,542	1,018	-	-	-	16,560
Disposals	(378,114)	(17,393)	-	-	-	(395,507)
Effect of movements in exchange rates	(10,475)	(789)	(9,547)	(1,465)	(94,689)	(116,965)
Balance, at December 31, 2014	$ 158,109	$ 19,705	$ 364,577	$ 57,855	$ 3,391,662	$ 3,991,908

	Computer equipment	Office equipment	Motor vehicles	Leasehold improvement	Website development	Total
Accumulated depreciation						
Balance, at January 1, 2013	$ 459,124	$ 10,704	$ 316,574	$ 54,761	$ 3,377,969	$ 4,219,132
Depreciation for the year	13,845	3,318	3,614	2,921	-	23,698
Effect of movements in exchange rates	12,922	13,699	8,112	1,638	108,382	144,753
Balance, at December 31, 2013	$ 485,891	$ 27,721	$ 328,300	$ 59,320	$ 3,486,351	$ 4,387,583
Balance, at January 1, 2014	$ 485,891	$ 27,721	$ 328,300	$ 59,320	$ 3,486,351	$ 4,387,583
Depreciation for the period	11,372	3,263	3,606	-	-	18,241
Impairment loss						-
Disposals	(358,593)	(16,243)	-	-	-	(374,836)
Effect of movements in exchange rates	(10,264)	(337)	(8,767)	(1,465)	(94,689)	(115,522)
Balance, at December 31, 2014	$ 128,406	$ 14,404	$ 323,139	$ 57,855	$ 3,391,662	$ 3,915,466
Carrying amounts						
At December 31, 2013	$ 45,265	$ 9,148	$ 45,824	$ -	$ -	$ 100,237
At December 31, 2014	$ 29,703	$ 5,301	$ 41,438	$ -	$ -	$ 76,442

8. Share Capital and Reserves

Issuance of common shares

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

Common shares and preferred shares

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

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

Accumulated other comprehensive income ("AOCI")

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

9. Earnings (Loss) Per Share

(a) Basic earnings (loss) per share

The calculation of basic earnings per share for the year ended December 31, 2014 was based on the net loss attributable to shareholders of the Company of $791,396 (2013: $2,718,360), and a weighted average number of common shares outstanding of 47,364,982 (2013: 47,364,982).

(b) Diluted earnings per share

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

10. Share Purchase Options and Warrants

(a) Stock options

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

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

No stock options were granted during the years ended December 31, 2014 and 2013.

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

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

10. Share Purchase Options and Warrants - Continued

(a) Stock options - Continued

The options outstanding at December 31, 2014 have an exercise price in the range of CND$0.40 to CND$1.05 (December 31, 2013: CND$0.40 to CND$1.05) and a weighted average contractual life of 1.19 years (December 31, 2013: 2.19 years).

There are 1,284,000 options exercisable at December 31, 2014 (December 31, 2013: 1,924,000), which have an exercise price in the range of CND$0.40 to CND$1.05 (December 31, 2013: CND$0.40 to CND$1.05) and a weighted average contractual life of 0.75 years (December 31, 2013: 1.75 years).

(b) Share purchase warrants

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

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

11. Trade and Other Payables

	December 31, 2014	December 31, 2013
Trade payables	$ 4,479,184	$ 2,582,906
Other payables	15,669	191,964
Non-trade payables and accrued expenses	436,897	1,853,129
	4,931,750	4,627,999

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 15.

12. Advance from a third party

On May 4, 2014, the Company's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com to develop online training projects. During the year ended December 31, 2014, Teacher.com advanced $219,110 (RMB 1,3600,000) to TTTC as the start-up funds to substantiate operations under TTTC. The amount is unsecured, due on demand, and bears nil interest rate.

13. Loans Payable

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

	December 31, 2014			
	RMB	U.S. dollars equivalent	Annual interest rate	Due date
Secured loan (1)	200,000	$ 32,222	20%	31/12/2014
Secured loan (2)	500,000	80,555	20%	15/06/2015
Unsecured loan (3)	2,000,000	322,220	12%	Due on demand
Sub-total	2,700,000	$ 434,997		
Interest payable	140,712	22,670		
Total	2,840,712	$ 457,667		

	December 31, 2013			
	RMB	U.S. dollars equivalent	Annual interest rate	Due date
Secured loan	300,000	$ 49,557	20%	12/31/2013
Unsecured loan	300,000	49,557	20%	01/09/2014
Unsecured loan	800,000	132,152	20%	01/09/2014
Sub-total	1,400,000	$ 231,266		
Interest payable	304,533	50,307		
Total	1,704,533	$ 281,573		

(1) The loan was matured on December 31, 2014 and secured by same amount of common stocks owned by officers of TTTC. Currently, TTTC is in negotiation with the lender with regard to the extension term of this loan.
(2) The loan was matured on June 12, 2015 and secured by same amount of common stocks owned by officers of TTTC.
(3) On May 4, 2014, the Company's subsidiary TTTC entered into a strategic cooperation agreement with Teacher.com. Pursuant to the agreement, Teacher.com agrees to lend a loan of $322,220 (RMB 2,000,000) to TTTC to support the operation of new online training project. The loan was unsecured and due on demand with annual interest rate of 12%. As at December 31, 2014, there was interest payable balance of $140,712 in relation to this loan.

14. Bank Loan

	December 31, 2014		
	RMB	U.S. dollars equivalent	Annual interest rate
Unsecured loan - Standard Chartered Bank	42,978	$ 6,924	20.04%
Less: current portion	42,978	6,924	
Unsecured loan - long term portion	-	$ -	

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

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

15. Financial Instruments

Credit risk

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

	Carrying amount	
	December 31, 2014	December 31, 2013
Accounts and other receivable	$ 5,864,927	$ 5,375,147
Restricted cash	695,902	-
Cash	586,156	1,202,017
	$ 7,146,985	$ 6,577,164

15. Financial Instruments – Continued

Credit risk - Continued

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

	Carrying amount	
	December 31, 2014	December 31, 2013
China	$ 5,864,252	$ 5,366,946
Canada	675	8,201
	$ 5,864,927	$ 5,375,147

100% of the Group's revenue for the years ended December 31, 2014 and 2013 were derived from customers located in China. Two (December 31, 2013: three) customer(s) represent in excess of 10% of accounts receivable at December 31, 2014. Three (2013: one) customer(s) represent in excess of 10% of total revenue for the year ended December 31, 2014. The Group's most significant customers accounted for $4,383,118 of receivables carrying amount at December 31, 2014 (December 31, 2013: $1,884,439).

Currency risk

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

	December 31, 2014			December 31, 2013		
(in US Dollars)	CND	RMB	TOTAL	CND	RMB	TOTAL
Cash	$ 7,623	$ 578,533	$ 586,156	$ 1,482	$ 1,200,535	$ 1,202,017
Restricted cash	-	695,902	695,902	-	-	-
Accounts and other receivables	675	5,864,252	5,864,927	8,201	5,234,941	5,243,142
Due from related parties	-	176,219	176,219	-	132,005	132,005
Trade and other payables	(311,415)	(4,620,335)	(4,931,750)	(774,301)	(3,853,696)	(4,627,997)
Advance from a third party	-	(219,110)	(219,110)	-	-	-
Bank loan	-	(6,924)	(6,924)	-	(32,326)	(32,326)
Loan payables	-	(457,667)	(457,667)	-	(281,573)	(281,573)
Loan payables - related parties	(278,569)	(112,777)	(391,346)	(254,479)	(213,274)	(467,753)
Due to related parties	(1,197,182)	-	(1,197,182)	(1,056,355)	-	(1,056,355)
Gross statements of financial position exposure	$ (1,778,868)	$ 1,898,093	$ 119,225	$ (2,075,452)	$ 2,186,612	$ 111,160

15. Financial Instruments – Continued

Sensitivity analysis

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

An increase (decrease) of 10% in the exchange rate between the RMB and the U.S. dollars would have increased (decreased) other comprehensive income by $24,728 (December 31, 2013 - $32,586). An increase (decrease) of 10% in the exchange rate between the CND and the U.S. dollars would have decreased (increased) other comprehensive income by $134,448 (December 31, 2013 - $57,438).

Interest rate risk

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

Fair values

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

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

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

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

As at December 31, 2014, cash and cash equivalents and restricted cash are assessed to be level 1 instrument.

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

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

16. Determination of Fair Values

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

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

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

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

(a) Credit risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. At December 31, 2014, the Group had a working capital deficiency of $3,380,550 (December 31, 2013: $2,945,862). The Group is focused on generating sales revenue and is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures.

17. Financial Risk Management - Continued

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From time to time, the Group is exposed to short term interest rates through the interest earned on cash. The Group only has debt with fixed interest rates. The Group's current policy is to invest excess cash in short-term deposits with its banking institutions. The Group periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency exchange rate risk

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

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

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

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

(d) Capital management

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

17. Financial Risk Management - Continued

(d) Capital management – Continued

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

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

	December 31, 2014	December 31, 2013
Total liabilities	$ 10,734,598	$ 9,559,720
Less: cash in the bank	(1,282,058)	(1,202,017)
Net debt	$ 9,452,540	$ 8,357,703
Total equity (deficiency)	$ (3,304,108)	$ (2,852,725)
Debt to capital ratio	(2.86)	(2.93)

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

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

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.

18. Operating Segments - Continued

Geographical segments

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

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

Year ended December 31, 2014	Canada	China	Total
Revenue from external customers	$ -	$ 10,700,662	$ 10,700,662
Property, plant and equipment	-	76,442	76,442

Year ended December 31, 2013	Canada	China	Total
Revenue from external customers	$ -	$ 10,085,422	$ 10,085,422
Property, plant and equipment	-	100,237	100,237

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 13.7% percent of the voting shares of the Group.

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

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

19. Related Parties Transactions - Continued

Director/Officer	Transaction	Year ended December 31, 2014	2013
C F Zhou (director and CEO)	Salary and benefits	$ -	$ 115
C F Zhou (director and CEO)	Consulting fees	165,147	175,161
C F Zhou (director and CEO)	Interest expense	21,650	17,049
Danny Hon (director and CFO)	Accounting fees (iii)	72,433	57,222
Danny Hon (director and CFO)	Interest expense	10,041	10,931
		$ 269,271	$ 260,478

Director/Officer	Transaction	Balance outstanding December 31, 2014	December 31, 2013
C F Zhou (director and CEO)	Salary and benefits	$ -	$ 228,542
C F Zhou (director and CEO)	Consulting fees (i)	838,277	511,561
C F Zhou (director and CEO)	Loan payable (ii)	137,919	129,278
C F Zhou (director and CEO)	Loan interest payable (ii)	46,820	28,586
Danny Hon (director and CFO)	Accounting fees payable (iii)	358,905	316,252
Danny Hon (director and CFO)	Loan payable (vi)	60,385	70,564
Danny Hon (director and CFO)	Loan interest payable (vi)	33,444	26,051
		$ 1,475,750	$ 1,310,834

(i) The consulting fees owing to C F Zhou as at December 31, 2014 is unsecured, due on demand with no interest.

(ii) During the year ended December 31, 2014, the Group has received short term loan of CND $22,500 from C F Zhou, director and CEO of the Group (During the year ended December 31, 2013 - CDN $50,000). The short-term loans were unsecured and due on demand with an annual interest rate of 15%. At December 31, 2014, there was an interest payable balance of $46,820 (December 31, 2013: $28,586) 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 Danny Hon as at December 31, 2014 is unsecured, due on demand with no interest.

(iv) During the year ended December 31, 2014, the Group has repaid short term loan of CND $5,000 to Danny Hon, director and CFO of the Group (During the year ended December 31, 2013 - CND $nil). The short-term loans were unsecured and due on demand with an annual interest rate of 15%. At December 31, 2014, there was an interest payable balance of $33,444 (December 31, 2013: $26,051) owed to Danny Hon.

19. Related Parties Transactions - Continued

Unsecured loan payables

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

	December 31, 2014				
Unsecured loan payables	**RMB**	**Canadian dollars**	**U.S. dollars equivalent**	**Annual interest rate**	**Due date**
Chengguang Zhou (director of TTTC)	700,000	-	112,777	12%	14/08/2015
Interest payable	¥ -		$ -		

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

19. Related Parties Transactions - Continued

Other related party transactions

	September 30, 2014	December 31, 2013
Amount due from a company related to the non-controlling shareholders of ZYCY [ii]	$ 143,997	$ 132,005
Amount due from a minority shareholder/General Manager of ZYCY [iii]	32,222	-
	$ 176,219	$ 132,005

[i] During the year ended December 31, 2014, Chenggang Zhou, director of TTTC, borrowed the loan with annual rate of 12% [2013: 9%] from Bank of Merchant under his name to finance TTTC's daily activities. The loan is secured by his personal assets.

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

[iii] It represents a non-secured and non-interest bearing short-term loan advanced to Yuanling Lang, a minority shareholder and General Manager of ZYCY. The amount has been fully repaid by Yuanling Lang subsequently.

20. Income Tax

The Group is subject to Canadian federal and provincial income taxes at an approximate rate of 26% (2013 - 25.75%). The Group's Chinese subsidiaries are subject to Chinese taxes.

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2014 and 2013:

Tax expense (recovery) in Canadian statutory rate	**December 31, 2014 $'000**	**December 31, 2013 $'000**
Income (Loss) before tax, non-controlling interest	(482)	(2,251)
Statutory tax rate	26.00%	25.75%
Expected income tax (expense) recovery	(125)	(580)
Non-deductible items	21	603
Change in estimates	(30)	89
Change enacted tax rate	-	(76)
Functional currency adjustments and other	173	107
Foreign tax rate difference	-	(3)
Loss expired	462	389
Change in deferred tax asset not recongized	(335)	(311)
Income tax expense (recovery)	166	218
Current tax expenses (recovery)	166	218
Deferred tax expense (recovery)	-	-
	166	218

The British Columbia corporate tax rate has increased during the year, resulting in an increase in the Company’s combined statutory tax rate.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2014 and 2013 are comprised of the following:

20. Income Tax - Continued

Canada

	December 31, 2014	December 31, 2013
	$'000	$'000
Property, plant and equipment	3	3
Non-capital loss carried forward	1,551	1,820
Capital loss carried forward	141	154
Cumulative eligible capital	53	30
Other	-	1
Deferred tax asset not recognized	(1,748)	(2,008)
Deferred tax asset (liability)	-	-

China

	December 31, 2014	December 31, 2013
	$'000	$'000
Net operating loss carried forward	178	314
Cumulative eligible capital	61	-
Deferred tax asset not recognized	(239)	(314)
Deferred tax asset (liability)	-	-

As at December 31, 2014, the Group has non-capital loss carry forwards for Canadian purposes aggregating approximately $5,960,000 (2013: $7,447,000) available to reduce taxable income otherwise calculated in future years. The Group also has net operating loss carry forwards for Chinese tax purposes aggregating $710,000 (2013: $1,227,000) available to reduce taxable income otherwise calculated in future years.

20. Income Tax - Continued

The non-capital losses expire as follows:

	Canada $ ('000)	China $ ('000)	Consolidated $ ('000)
2015	658	39	697
2016	-	30	30
2017	-	28	28
2018	-	32	32
2019	-	581	581
2026	959	-	959
2027	1,151	-	1,151
2028	383	-	383
2029	526	-	526
2030	492	-	492
2031	436	-	436
2032	464	-	464
2033	446	-	446
2034	445	-	445
	5,960	710	6,670

The Group also has capital losses of $1,258,000 available to offset future capital gains in Canada. The capital loss is carried forward indefinitely.

The Group, through its subsidiaries, conducts a significant amount of its business in China. China currently has a number of laws related to various taxes imposed by both central and regional governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and payroll (social) taxes, together with others. Laws related to these taxes have not been in force for a significant period, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus, creating uncertainties and areas of conflict.

Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in China substantially more significant than typically found in countries with more developed tax systems.

The risk remains that the relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant. The fact that a year has been reviewed does not close that year, or any tax declaration applicable to that year, from further review.