Siddharth Rajeev, B.Tech, MBA, CFA
Analyst

December 16, 2016

CIBT Education Group Inc. (TSX: MBA) – Solid progress; multiple projects on the go

Sector/Industry: Education Services **www.cibt.net**

Market Data (as of December 16, 2016)

Current Price	**C$0.58**
Fair Value	**C$1.00**
Rating*	**BUY**
Risk*	**3**
52 Week Range	C$0.25 - C$0.65
Shares O/S	68.64 mm
Market Cap	C$39.81 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.65x
YoY Return	123.1%
YoY TSX	17.2%

**See back of report for rating and risk definitions*

Highlights

- CIBT Education ("CIBT", "company") continues to make excellent progress on its student housing projects, which now includes three operating assets and several others in development stages.
- <u>CIBT is one of the best performing stocks of our coverage universe, with shares up by 123% YoY.</u>
- Vancouver's rental market continues to remain strong and tight. Also, rising rents are making Vancouver increasingly unaffordable, especially for younger and lower income households.
- On September 7, 2016, the company announced its plans to build a $230 million Education Mega Center in Surrey, B.C.
- In November 2016, the company announced the acquisition of Burnaby Heights - a residential and commercial building located in Burnaby, B.C., for $17.75 million.
- <u>In FY2016 (ended August 31, 2016), revenues increased by 12.2% YoY to $36.11 million. Rental revenues were $4.96 million, up from just $0.65 million in the previous year.</u>
- We are raising our fair value estimate from $0.85 to $1.00 per share.

Key Financial Data (in C$); YE - Aug 31	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**
Revenues	30,747,561	30,916,154	32,178,951	36,114,144	42,478,316	46,647,423
EBITDA	(1,986,876)	(1,183,601)	691,627	(527,312)	5,067,770	7,359,533
EBITDA Margin	-6.5%	-3.8%	2.1%	-1.5%	11.9%	15.8%
Net Income	(1,585,090)	5,312,961	6,000,774	9,215,414	18,142,574	18,713,630
EPS (Basic)	(0.02)	0.08	0.09	0.13	0.27	0.27
Debt to Capital	20.9%	14.1%	44.0%	35.6%	50.5%	64.3%
ROE	-10.0%	27.8%	20.1%	17.5%	15.7%	13.3%

**The net profit / loss figures include CIBT's share of the net profit / loss and non-controlling interests.*

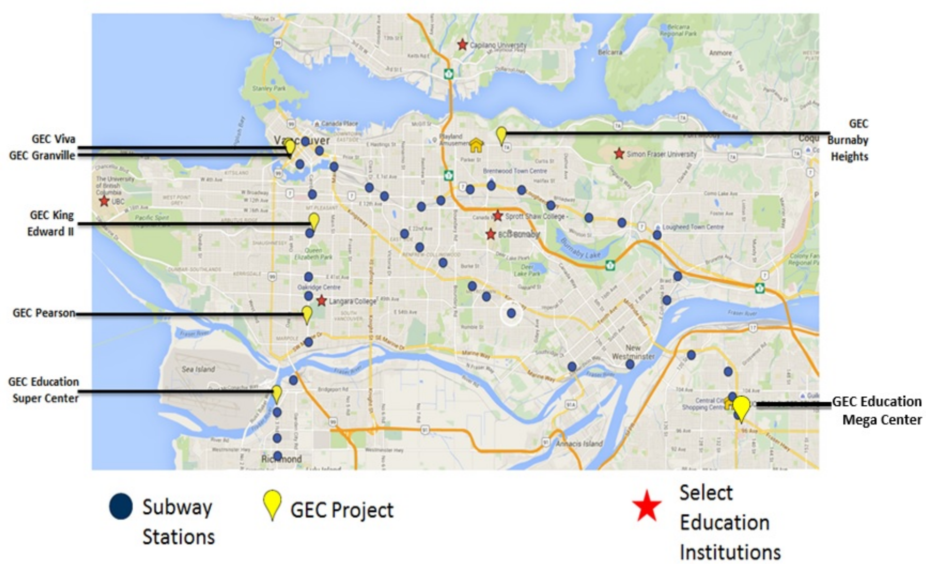
Update on the Student Housing Projects

The table below shows a summary of the acquired projects and the projects under development, including management projections. The projects have over 400 beds currently in operation. **Management expects to have approximately 875 beds by spring 2017, and has over 2,900 beds under development.**

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	GEC Education Super Center (Richmond)	GEC Education Mega Center (Surrey)	Total
Projected Annual Rental Income (Management Est.)	$3,500,000	$4,200,000	$1,300,000	$4,400,000	$2,500,000	$16,100,000	$18,800,000	**$50,800,000**
CIBT Ownership	20.0%	20.0%	25.0%	38.5%	21.0%	26.8%	20.0%	
CIBT Management Fee	8%	8%	8%	8%	8%	8%	8%	
Purchase Price / Construction Costs	$36,000,000	$31,500,000	$17,750,000	$42,500,000	$28,000,000	$182,000,000	$230,000,000	**$567,750,000**
Beds	220	240	84	330	184	1000	1400	**3,458**
Status	Phase 1 complete / Phase II completion by Spring 2017	Operational	Operational	Under Construction (operational by Spring 2017)	Under Development (operational by July 2018)	In Planning Stages (expected completion in fall 2019)	In Planning Stages (expected completion in Spring 2022)	

*GEC Education Super/Mega Center Ownership may change with project financing.

The map below shows the locations of the properties within Greater Vancouver.



Source: Company

Education Mega Center

The following section presents an overview / update of the assets:

MOU for a $230M Education Mega Center

On September 7, 2016, CIBT announced the signing of a Memorandum of Understanding ("MOU") with the WestStone Group for an Education Mega Center in Surrey, B.C. WestStone is an experienced real estate developer focused on Western Canada. Management estimates the 50-storey high-rise tower (rendering shown below) will cost approximately $230 million.

The proposed site is in downtown Surrey immediately between Simon Fraser University and the future location of Kwantlan Polytechnic University, and very close to the SkyTrain station and the bus loop.

© 2016 Fundamental Research Corp.

The Education Mega Center will be the first of its kind in North America, aggregating a number of multidiscipline public and private schools at one location. The development is expected to provide housing for students, while accommodating campus space for public and private educational institutions and office space for professional firms supporting international education. The objective is to bring students, schools, and education service firms under one roof. Such an arrangement will eliminate the need for students to commute daily to school. Also, school tenants will be able to reduce operating costs by sharing the common areas such as the cafeteria, computer center, student lounges, auditoriums, and library, instead of having each school operating their own support facilities. The project has yet to receive city approval. However, in a interview on CTV, Surrey's Mayor strongly endorsed the project.

Education Super Center

Acquires land for GEC Education Super Center

In October 2016, the company announced the acquisition of five parcels of land, totaling approximately 80,000 sq. ft. in Metro Vancouver for $17 million with an option to acquire a sixth adjacent parcel. Including the sixth parcel, this $182 million project is estimated to have approximately 330,000 buildable sq. ft.

The project site is within a one minute walk from the nearest SkyTrain (subway) station. As with most of the other projects, CIBT will initially retain a 20% interest in the project.

The company has raised a total of $16.85 million for direct investment into the above mentioned Mega Center and Super Center.

Burnaby Heights

Acquires a residential and commercial building located in Burnaby, B.C

In November 2016, the company announced the acquisition of a residential and commercial building located in Burnaby, B.C., for $17.75 million, which they subsequently named as GEC Burnaby Heights. An independent appraisal on the property valued it at $24.2 million. The four-storey building has 30 residential units and commercial space on the ground floor. A $15.7 million mortgage is currently on the property. The company estimates rental income of $1.3 million a year.

The project is in close proximity to Simon Fraser University, Capilano University, British Columbia Institute of Technology and Sprott Shaw College East Vancouver Campus.

Viva

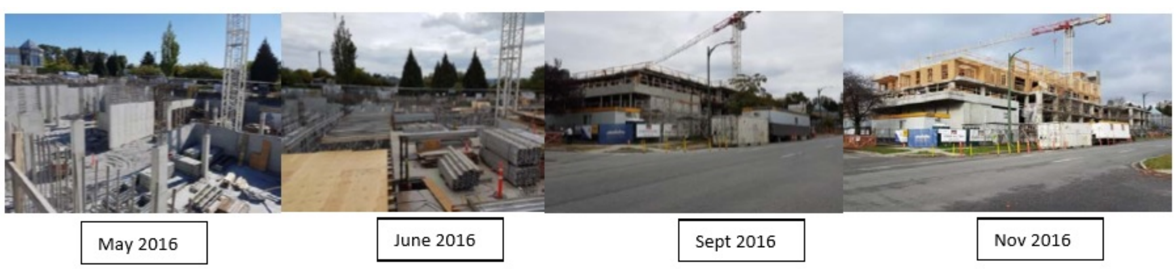
Viva Suites Hotel (Downtown Vancouver) generated $1.31 million in rental revenues in FY2016. The property was valued at $49.90 million at the end of FY2016, after deducting renovation costs. This is up from $38.10 million at the end of FY2015. The property was valued based on potential net operating income of $2.2 million per year upon stabilization, reflecting a cap rate of 4.4%. Approximately 50% of the renovation has been completed, and 107 beds are currently available, and the remaining 113 to be added in the next 4 months. Management estimates rental revenues will be $3.5 million in FY2017.

Granville

Granville – This project generated $3.65 million in rental revenues in FY2016. Just like Viva, management is converting this hotel into student housing for approximately 240 beds. Management estimates rental revenues will be $4.2 million in FY2017. The property has experienced a significant increase in valuation since its acquisition. Management estimates a Net Operating Income ("NOI") of $2.0 million. A cap rate of 4.5% will result in a valuation of approximately $44 million, higher than the purchase price of $31 million.

Pearson

Pearson - This project site is 5 minutes walking distance from the nearest subway (SkyTrain) station at the corner of Marine S.W Drive and Cambie street. The project is expected to have housing capacity for 330 students. The expected development budget of the project is $44 million. This project is currently under development and management expects it to be operational by May 2017.



Source: Company

West King Edward II

West King Edward II - CIBT has a Purchase and Sale Agreement with a Vancouver developer to acquire three properties that are centrally located in Vancouver, approximately 300 feet from a Skytrain / Subway station located at the corner of West King Edward Ave and Cambie Street. The project is expected to be comprised of 46,000 gross buildable square feet. The total project cost is approximately $28 million. Three independent investors have been brought in to fund this development.

Revenues up by 12.2% YOY

Review of FY2016 (ended August 31, 2016) Results

In FY2016, revenues increased by 12.2% YOY to $36.11 million. Our forecast was $38.90 million because of higher revenue estimates from development fees. The company had reported revenues from development fees of $3.62 million in the first nine months of the year. However, in the YE audit, this figure was brought down to $1.71 million for the full year as $1.5 million recognized in Q3 was reversed due to a delay in possession of a project. Management expects this amount to be recognized in Q1-2017.

The table below summarizes the company's key divisions and their revenues.

	2013A	2014A		2015A	2016A	YOY
SSC + Others						
Revenues	26,312,774	25,218,361		24,988,426	25,421,075	1.7%
Gross Margins	58.8%	61.1%		61.1%	57.40%	
CIBT						
Revenues	2,773,191	2,371,950		2,260,260	2,208,235	-2.3%
Gross Margins	49.4%	44.6%		43.7%	41.70%	
IRIX						
Revenues	993,927	860,989		1,082,119	775,266	-28.4%
Gross Margins	74.5%	79.7%		71.4%	79.2%	
Commissions + Referral Fees						
Revenues	667,669	843,022		619,077	1,036,372	67.4%
Gross Margins	71.1%	51.6%		59.6%	34%	
Global Education City						
Revenues (rental)			$	647,046	4,959,459	666.5%
Gross Margins				25.9%	22.5%	
Global Education City						
Development fees		1,621,832	$	2,582,023	1,713,737	-33.6%
Gross Margins		72%				
Overall Revenues	**56,218,869**	**30,916,154**		**32,178,951**	**36,114,144**	12.2%
Overall Gross Margins	52.6%	60.6%		62.6%	53.5%	

Sprott Shaw College ("SSC") and Vancouver International College ("VIC") **-** On July 8, 2016, the company acquired VIC for $1.50 million. With a 16-year track record, VIC is an international college specializing in English language training, and enrolls approximately 1,300 students per year. Management's motive with this acquisition is to not only expand their education assets, but also expand the pipeline of international students to their student housing properties.

SSC and VIC's revenues were $25.42 million in FY2016, and were slightly higher than our $25.18 million forecast.

CIBT China – This division's revenues dropped YoY in Q4 after reporting YoY improvement in the previous three quarters. Overall, the division reported revenues of $2.21 million (our forecast was $2.51 million), down by 2.3% YoY. As mentioned in previous reports, CIBT has been phasing out its programs in China. Its renewed focus is on lower tuition-fee mass market programs, such as career training programs related to business, hotel and tourism management, information technology, automotive training, English language training, etc.

Development Fees – We estimate the company will report revenues from development fees of $5.14 million in FY2017 (20% of the equity portion of the $182 million GEC Education Super Center in Richmond; assuming 90% debt to capital; plus $1.5 million that was reversed in Q4-2016) and $4.60 million in FY2018 (20% of the equity portion of the $230 million GEC Education Mega Center in Surrey; assuming 90% debt to capital).

We had previously assigned development fees of $8 million in FY2017. Therefore, we are revising our FY2017 estimate from $43.58 million to $42.48 million. **We are introducing our FY2018 estimate in this report, which is $46.65 million.**

Gross margins dropped YoY from 63% to 54% primarily because of the decline in SSC's margins. The following table shows margins:

Margins	2013A	2014A	2015A	2016A
Gross	58.7%	60.6%	62.6%	53.5%
EBITDA	-6.5%	-3.8%	2.1%	-1.5%
EBIT	-10.2%	-7.4%	-0.9%	-3.9%
EBT	-10.2%	-7.0%	-1.8%	-5.8%
Net (normalized)	-6.2%	-5.4%	-4.8%	-9.9%

General and administrative ("G&A") expenses in FY2016 increased by 3% YOY to $19.83 million.

EBITDA was -$0.53 million in FY2016 versus $0.69 million in FY2015. In FY2016, the company reported a $9.78 million gain in valuation on the Viva project, and a $3.83 million gain in sale of the Ascenda School of Management. The company reported net income of $9.22 million (EPS: $0.13) in FY2016, versus $6.00 million (EPS: $0.09) in FY2015. After deducting non-controlling interests, the company reported net income of $3.91 million (EPS: $0.06) in FY2016.

The following table shows our estimates of the expected increase in valuations of the three operating assets, Pearson and West Kind Edward II (which are expected to be completed in 2017 and 2018, respectively). We estimate a total valuation gain of $49.57 million, of which, a total of $17.39 million were reported in FY2015, and FY2016. We estimate the remaining gain to be reported over the next two years, or $16.09 million per year.

FRC Fundamental Research Corp.

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	Total
Status	Phase 1 complete / Phase II completion by Spring 2017	Operational	Operational	Under Construction (operational by Spring 2017)	Under Development (operational by July 2018)	
NOI Estimate	$2,200,000	$2,000,000	$812,500	$2,640,000	$1,500,000	
Cap Rate (assumption)	4.4%	4.4%	4.5%	4.5%	4.5%	
Current Valuation (FRC est.)	$49,900,000	$45,363,636	$18,055,556	$58,666,667	$33,333,333	
Gain	$13,900,000	$13,863,636	$305,556	$16,166,667	$5,333,333	**$49,569,192**

Cash Flows

We are raising our FY2017 EPS estimate from **$2.47 million / EPS: $0.04 to $18.14 million / EPS: $0.27.** We had not included any gain in valuation in FY2017, for conservatism, in our previous reports. Our FY2018 estimate is $18.71 million / EPS: $0.27.

Free cash flows ("FCF") were -$7.82 million in FY2016, versus -$30.30 million in the previous year.

Summary of Cash Flows (C$, mm)	2012A	2013A	2014A	2015A	2016A
Operating	$6.29	-$1.80	-$4.30	$3.25	$0.12
Investing	-$3.54	-$2.69	$6.48	-$33.58	-$7.85
Financing	-$1.24	$0.63	-$3.00	$30.03	$9.76
Effects of Exchange Rate	$0.00	-$0.55	-$0.02	-$0.11	$0.03
Net	**$1.51**	**-$4.41**	**-$0.85**	**-$0.42**	**$2.05**
Free Cash Flows to Firm (FCF)	**$2.76**	**-$4.56**	**-$0.68**	**-$30.30**	**-$7.82**

Balance Sheet

At the end of FY2016, the company had $4.49 million in cash. Working capital and the current ratio were -$3.99 million and 0.8x, respectively.

Liquidity & Capital Structure (C$)	2014A	2015A	2016A
Cash	$5,022,012	$2,514,195	$4,489,971
Working Capital	-$3,780,054	-$31,466,726	-$3,994,904
Current Ratio	0.78	0.27	0.76
Debt/Capital	14.08%	43.97%	35.58%
EBIT Interest Coverage	(19.3)	(0.5)	(1.0)

Debt to capital decreased from 49% at the end of FY2015, to 36% by the end of FY2016, due to the increase in equity as a result of the higher property valuations.

Stock Options and Warrants

The company currently has 2.37 million options (weighted average exercise price – $0.25), and 2.38 million warrants (weighted average exercise price – $0.30) outstanding. All the options and warrants are currently in the money. The company can raise up to $1.30 million if all these options and warrants are exercised.

Valuation and Rating

The following table shows our valuation of the company's student housing division, assuming a 20% average equity interest in the projects. For our analysis, we used the average valuation metrics of comparable companies with portfolios of student housing projects.

	Ticker	EV / Revenue	EV / EBITDA	P / B
CHC Student Housing	TSXV: CHC	12.30		1.30
American Campus Communities	NYSE: ACC	11.20	22.60	1.80
Education Realty Trust	NYSE: EDR	12.00	26.60	1.60
Average		**11.83**	**24.60**	**1.57**

	Projected Annual Revenues	Projected EBITDA	Projected Book Value
$, millions	$50.80	$21.12	$113.55
	(management est.)	(based on a peer average EBITDA margin of 42%)	20% of the est. budget of $568M
Fair Value of 20% Equity ($, millions)	$29.39	$13.08	$35.58
Average ($, millions)	**$26.01**		

The following table shows a summary of our valuations on the Education Management and the Student Housing divisions.

Valuation	**Fair Value**	**Fair Value per Share**
Education Management		
* Discounted Cash Flow @ 10%	$37,101,625	$0.52
* EV / Revenue @ 1.6x	$47,741,306	$0.67
Average	**$42,421,466**	**$0.60**
Student Housing (GEC)		
	$26,014,573	**$0.37**
Fair Value Estimate	**$68,436,039**	**$0.96**

PLEASE READ THE IMPORTANT DISCLOSURES AT THE BACK OF THIS REPORT

Our valuation increased from $0.83 per share to $0.96 per share as we raised our fair value estimate on the Student Housing division. **We reiterate our BUY rating and raise our fair value estimate from $0.85 to $1.00 per share (risk rating of 3 - average).**

Risks

The following risks may cause our estimates to differ from actual results (not exhaustive):

- Competition in the private education business in Canada is high.
- Real estate development and financing risks associated with GEC.
- The company's profitability is highly dependent on the health of the student housing real estate market in the Greater Vancouver area.
- Although the company has been able to pursue cheap acquisitions in the past, there is no guarantee they will be able to continue to do so going forward.
- Exchange rate risks exist, but are not significant as revenues from China account for less than 10% of the total revenues.
- Although topline (revenue) growth has been significant, the company has yet to achieve a track record of profitability.

FRC Fundamental Research Corp.

Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS (in C$)	2013A	2014A	2015A	2016A	2017F	2018F
REVENUES						
Educational	29,085,965	27,590,311	27,248,686	27,629,310	27,972,329	29,325,456
Rental			647,046	4,959,459	7,500,000	10,800,000
Commissions + Referral Fees	667,669	843,022	619,077	1,036,372	1,067,463	1,099,487
Design and advertising IRIX	993,927	860,989	1,082,119	775,266	798,524	822,480
Development fees		1,621,832	2,582,023	1,713,737	5,140,000	4,600,000
Total Revenues	**30,747,561**	**30,916,154**	**32,178,951**	**36,114,144**	**42,478,316**	**46,647,423**
DIRECT COSTS						
Educational	12,243,618	11,132,629	11,006,541	12,100,972	11,552,849	11,835,190
Commissions + Referral Fees	192,991	407,655	250,400	679,513	426,985	439,795
Rental		-	479,257	3,844,123	4,875,000	5,940,000
Design and advertising IRIX	253,278	174,759	309,689	161,204	199,631	205,620
Total Direct Costs	**12,689,887**	**12,174,629**	**12,045,887**	**16,785,812**	**17,054,465**	**18,420,604**
Gross Profit	**18,057,674**	**18,741,525**	**20,133,064**	**19,328,332**	**25,423,851**	**28,226,818**
EXPENSES						
Stock-based compensation	81,527	15,992	15,909	26,758	31,473	34,562
General and administrative	19,963,023	19,729,134	19,335,528	19,828,886	20,324,608	20,832,723
Website Development cost	-	-	-			
Business development costs		180,000	90,000			
Total Expenses	**20,044,550**	**19,925,126**	**19,441,437**	**19,855,644**	**20,356,082**	**20,867,286**
EBITDA	**(1,986,876)**	**(1,183,601)**	**691,627**	**(527,312)**	**5,067,770**	**7,359,533**
Amortization	1,163,981	1,101,531	979,534	870,376	1,028,521	973,815
EBIT	**(3,150,857)**	**(2,285,132)**	**(287,907)**	**(1,397,688)**	**4,039,248**	**6,385,718**
Interest / Finance Cost	(106,839)	(118,438)	(556,106)	(1,394,171)	(1,984,110)	(3,102,975)
Interest Income	38,743	135,445	38,972	645,861		
Foreign exchange (loss) gain	97,914	98,720	227,728	39,345		
Loss on disposal of property, plant and equipment	142	(52,007)	(65,332)	(8,363)	-	-
EBT	**(3,120,897)**	**(2,221,412)**	**(642,645)**	**(2,115,016)**	**2,055,139**	**3,282,743**
Loss of investment in associates			(9,360)	(820,662)		
Gain on Change of Property Fair Value			7,615,175	9,779,146	16,087,435	16,087,435
Gain on sale of discontinued operations	319,540	7,030,395	-	3,827,120	-	-
Net Profit (Loss) before tax	**(2,801,357)**	**4,808,983**	**6,963,170**	**10,670,588**	**18,142,574**	**19,370,179**
Taxes	(1,216,267)	(503,978)	962,396	1,455,174	-	656,549
Net Profit (Loss)	**(1,585,090)**	**5,312,961**	**6,000,774**	**9,215,414**	**18,142,574**	**18,713,630**
EPS	-0.02	0.08	0.09	0.13	0.27	0.27
Non-controlling interests	(244,957)	(153,471)	(4,960,754)	(5,309,450)	(14,033,195)	(14,680,909)
Net Profit (Loss) to CIBT shareholders	**-1,830,047**	**5,159,490**	**1,040,020**	**3,905,964**	**4,109,379**	**4,032,721**
EPS	-0.03	0.08	0.02	0.06	0.06	0.06

CONSOLIDATED BALANCE SHEETS				
(in C$)				
	2015A	2016A	2017F	2018F
ASSETS				
CURRENT				
Cash and short-term investments	2,514,195	4,489,971	7,639,479	11,488,586
Accounts receivable	7,975,499	6,795,474	12,092,129	13,278,932
Prepaids and other	714,763	695,716	930,610	1,021,946
Inventory	441,150	363,293	363,293	363,293
Total Current Assets	**11,645,607**	**12,344,454**	**21,025,511**	**26,152,757**
Due from Related Parties	735,000	2,329,947	2,329,947	2,329,947
Property and Equipment	2,518,789	2,103,147	2,070,340	2,088,958
Intangible Assets	8,472,376	8,182,067	7,667,806	7,180,899
Goodwill	4,793,303	5,721,907	5,721,907	5,721,907
Future Income Tax	2,115,926	2,091,845	2,091,845	2,091,845
Deferred Cur. Dev. Costs & Other Assets	10,306	1,522,116	1,522,116	1,522,116
Investment property	38,100,000	49,900,000	141,377,435	390,064,871
Refundable deposits + Investment	11,615,440	18,151,058	18,151,058	18,151,058
Assets held for Sale/Cash held in trust	660,010		-	-
Total Assets	**80,666,757**	**102,346,541**	**201,957,966**	**455,304,358**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	4,726,161	3,000,520	5,544,082	5,988,188
Deferred revenue	10,319,570	11,548,744	15,834,401	17,388,496
Lease obligation + provision	208,094	164,795	164,795	164,795
Income Tax Payable	176,259	114,836	114,836	114,836
Current portion of the long-term debt	23,675,080	493,638		-
Due to related parties	4,007,169	1,016,825	1,016,825	1,016,825
Total Current Liabilities	**43,112,333**	**16,339,358**	**22,674,940**	**24,673,140**
Lease Obligation	457,416	324,009	159,214	159,214
Long-term Debt	-	28,344,426	88,656,426	274,736,426
Future Income Tax Liabilities	972,246	2,399,401	2,399,401	2,399,401
SHAREHOLDERS EQUITY				
Share capital	49,115,490	49,024,991	49,024,991	49,024,991
Contributed surplus	5,884,084	5,669,832	5,701,305	5,735,868
Accumulated Comprehensive loss	381,698	237,890	237,890	237,890
Non-controlling interests	15,518,351	30,875,531	59,863,317	121,064,226
Deficit	(34,774,861)	(30,868,897)	(26,759,518)	(22,726,797)
Total shareholders' equity (deficiency)	**36,124,762**	**54,939,347**	**88,067,985**	**153,336,177**
Total Liabilities and Shareholders Equity	**80,666,757**	**102,346,541**	**201,957,966**	**455,304,358**

FRC Fundamental Research Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS (in C$)	2015A	2016A	2017F	2018F
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit (Loss) for the year	6,000,774	9,215,414	18,142,574	18,713,630
Adjusted for items not involving cash:				
- amortization	1,382,852	1,386,170	1,028,521	973,815
- stock-based compensation	15,909	26,758	31,473	34,562
- loss on disposal of property, plant and equipment	65,332	(3,818,757)	-	-
-gain from changes in ownership investment interests	9,360	883,279	-	-
-development fees	(85,390)	(242,418)		
-gain on fair value changes in investment properties	(7,615,175)	(9,779,146)	(16,087,435)	(16,087,435)
-finance fees	418,818	550,664		
-future/current income tax provision	958,844	1,451,236		
Funds From Operations	**1,151,324**	**(326,800)**	**3,115,133**	**3,634,572**
Net changes in non-cash working capital items	2,096,587	441,927	1,297,670	720,061
Discontinued Operations				
NET CASH USED IN OPERATING ACTIVITIES	**3,247,911**	**115,127**	**4,412,804**	**4,354,633**
CASH FLOWS FROM INVESTING ACTIVITIES				
PP&E	(683,625)	(458,527)	(481,453)	(505,526)
Investment Properties	(289,042)	(925,265)		
Deposits on real estate properties	(2,800,000)	(6,725,000)		
Acquisitions	(29,777,937)	(1,956,845)	(75,390,000)	(232,600,000)
Disposal of business assets		2,134,710		
Restricted cash	(30,114)	79,563		
NET CASH USED IN INVESTING ACTIVITIES	**(33,580,718)**	**(7,851,364)**	**(75,871,453)**	**(233,105,526)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash from equity and debt issuances	1,137,952	84,413		
Acquisition of the Company's shares into treasury, net	(283,358)	(351,474)	-	-
Advances (to) from related parties	1,441,003	(2,848,753)		
Lease obligation repayments	(166,412)	(219,526)	(164,795)	
Non controlling interest capital contribution	6,033,200	10,374,000	14,954,591	46,520,000
Non-controlling interest draws	(485,100)	-	-	-
Loan principal payments	(450,000)	(14,585,142)		
Long-term debt advances	22,756,262	19,914,554	59,818,362	186,080,000
Funds from loan advances		(1,897,308)		
Deferred finance fees	43,177	(706,786)	-	-
NET CASH FROM FINANCING ACTIVITIES	**30,026,724**	**9,763,978**	**74,608,158**	**232,600,000**
Foreign Exchange / Others	(113,515)	27,198		
INCREASE IN CASH FOR THE YEAR	**(419,598)**	**2,054,939**	**3,149,508**	**3,849,107**
CASH, BEGINNING OF THE YEAR	2,706,229	2,286,631	4,489,971	7,639,479
CASH, END OF THE YEAR	**2,286,631**	**4,341,570**	**7,639,479**	**11,488,586**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure
The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by MBA to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, MBA has agreed to a minimum coverage term including four updates. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (70%), HOLD (8%), SELL (5%), SUSPEND (17%).
To subscribe for real-time access to research, visit http://www.researchfrc.com/subscription.htm for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.
Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.