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Analyst

February 7, 2018

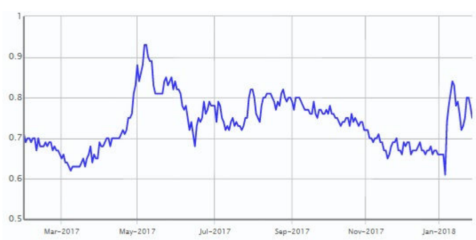
CIBT Education Group Inc. (TSX: MBA) – Approaching 1,000 Beds / Raising Fair Value Estimate

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

Market Data (as of February 7, 2018)

Current Price	**C$0.78**
Fair Value	**C$1.46**
Rating*	**BUY**
Risk*	**3**
52 Week Range	C$0.58 - C$0.96
Shares O/S	78,402,350
Market Cap	C$61.15 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	2.0x
YoY Return	16.4%
YoY TSX	-1.4%

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



Highlights

- Since our previous report in December 2017, where we had indicated that the weakness in CIBT's share price offered a good entry point for investors, shares have moved up 15%.
- Vancouver's rental market remains extremely tight with rental rates at historical highs, and vacancy remaining low.
- Rising mortgages rates will increase demand from renters.
- Approximately 530 beds are currently in operation. Management expects to have over 870 beds by this summer.
- In Q1-FY2018, revenues increased by 1.6% YOY, to $14.20 million, and were slightly higher than our forecasts.
- Gross and EBITDA margins were lower than our estimates due to the acquisition and restructuring costs associated with KGIC schools.
- We are raising our FY2018 revenue estimate from $77 million to $79 million, while maintaining our FY2019 estimate at $90 million.
- We are also raising our fair value estimate on CIBT's shares from $1.43 to $1.46 per share.

Key Financial Data (in C$); YE - Aug 31	2016	2017	2018E	2019E
Revenues	36,114,144	53,622,229	78,869,661	90,046,220
EBITDA	(527,312)	4,576,382	16,309,466	25,912,047
EBITDA Margin	-1.5%	8.5%	20.7%	28.8%
Net Income	9,215,414	8,122,442	34,829,622	41,449,274
Debt to Capital	35.2%	43.8%	54.7%	57.1%
ROE	17.5%	8.3%	35.8%	33.7%

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

Update on the Vancouver RE Market

After experiencing a YoY decline in sales in the first half of 2017, Vancouver's real estate market saw a strong turnaround in the second half. December 2017 sales were up 18% YoY. The average price continued to increase both on a QoQ and YoY basis.

Metro Vancouver Statistics

Metro Vancouver	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Residential Sales	4,172	2,425	-42%	5,173	3,579	-31%	4,781	3,553	-26%
New Listings	5,812	3,666	-37%	6,278	4,762	-24%	6,127	4,907	-20%
Active Listings	7,299	7,594	4%	7,358	7,586	3%	7,550	7,813	3%
Sales to Listings	57.16%	31.93%		70.30%	47.18%		63.32%	45.48%	
MLS Home Price Index	795,500	906,700	14%	815,000	919,300	13%	844,800	941,100	10%

Metro Vancouver	May-16	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-17	YoY
Residential Sales	4,769	4,364	-8%	4,400	3,897	-11%	3,226	2,960	-8%
New Listings	6,289	6,044	-4%	5,875	5,721	-3%	5,241	5,256	0%
Active Listings	7,726	8,186	19%	7,812	8,515	9%	8,351	9,194	10%
Sales to Listings	61.73%	53.31%		56.32%	45.77%		38.63%	32.19%	
MLS Home Price Index	889,100	967,500	9%	917,800	998,700	9%	930,400	1,019,400	10%

Metro Vancouver	Aug-16	Aug-17	YoY	Sep-16	Sep-17	YoY	Oct-16	Oct-17	YoY
Residential Sales	2,489	3,043	22%	2,253	2,821	25%	2,233	3,022	35%
New Listings	4,293	4,245	-1%	4,799	5,375	12%	3,981	4,539	14%
Active Listings	8,506	8,807	4%	9,354	9,466	1%	9,143	9,137	0%
Sales to Listings	29.26%	34.55%		24.09%	29.80%		24.42%	33.07%	
MLS Home Price Index	933,100	1,029,700	10%	926,600	1,037,300	12%	919,300	1,042,300	13%

Metro Vancouver	Nov-16	Nov-17	YoY	Dec-16	Dec-17	YoY
Residential Sales	2,214	2,795	26%	1,714	2,016	18%
New Listings	3,147	4,109	31%	1,312	1,891	44%
Active Listings	8,385	9,137	9%	6,345	6,958	10%
Sales to Listings	26.40%	30.59%		27.01%	28.97%	
MLS Home Price Index	908,300	1,046,900	15%	906,500	1,050,300	16%

Source: Real Estate Board of Greater Vancouver

As shown in the table above, property prices were rising even during a period of declining sales. The sales to active ratio was 33% in October 2017, versus 24% in October 2016. We consider this a positive development as it indicates market strength. Royal Lepage estimates the average price will increase by 5% to 6% this year to $1.3 million.

Strong Rental Market

The following factors support CIBT's business model, as we expect them to continue to push demand for affordable housing, especially for students, and lower income households.

1) Vancouver's **rental market remains extremely tight** with rental rates at historical highs, and vacancy remaining low. The City of Vancouver indicated recently that the current vacancy rate is 0.7%.

Vacancy and Rent

Vancouver CMA	Bachelor			1 Bedroom			2 Bedroom			3 Bedroom		
	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17
Vacancy Rate	0.6%	0.7%	0.80%	0.8%	0.7%	0.9%	0.9%	0.7%	1.0%	1.4%	1.4%	1.6%
Apartment Average Rent	$937	$1,013	$1,060	$1,079	$1,159	$1,223	$1,368	$1,450	$1,552	$1,615	$1,631	$1,801
YOY Change		8.1%	4.6%		7.4%	5.5%		6.0%	7.0%		1.0%	10.4%

Source: CMHC

2) **Rising rents**

Rent Trends for Apartments in Vancouver

January 2018

Bedroom count	Vancouver	vs Last Month
Studio	$1,800	up 12.85%
1 Bedroom	$1,990	down -0.50%
2 Bedroom	$3,200	No change
3 Bedroom	$3,800	up 3.40%
4 Bedroom	$6,000	up 30.43%

Source: www.padmapper.com

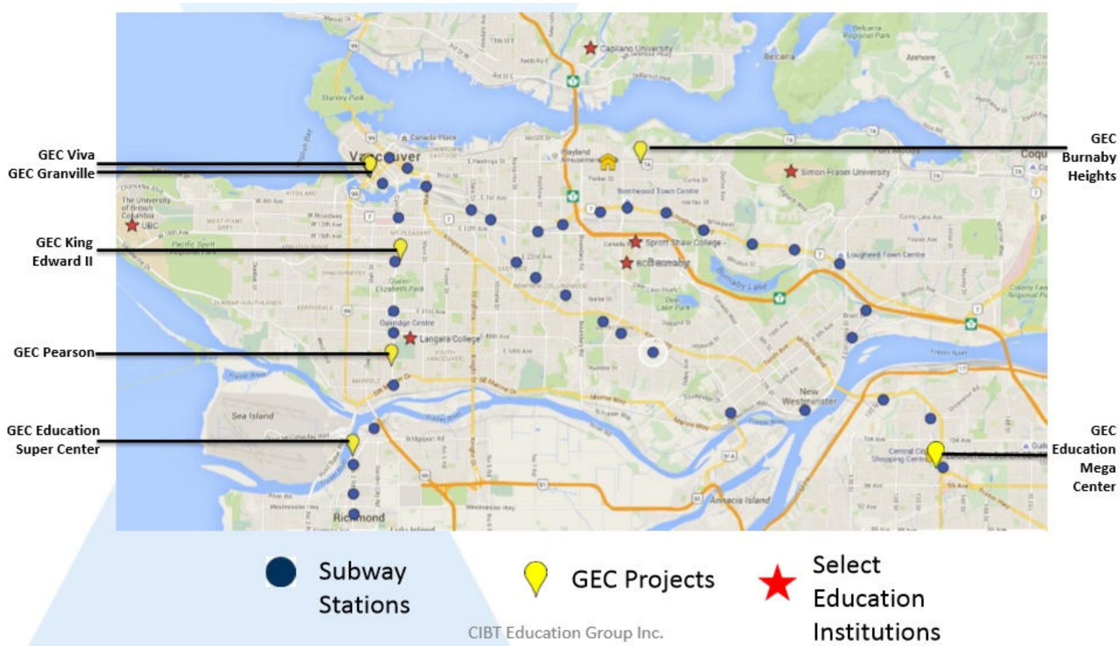
3) Rising yields are prompting Canadian banks to raise mortgage rates; the major banks recently announced that they have raised rates by 0.10% to 0.15%.

4) Canadian PM, Justin Trudeau, recently announced plans to bring one million new immigrants over the next 3 years.

5) Vancouver continues to be one of the top destinations for students due to the city's global appeal, Canada's economic stability, and the weakness in the C$. Students can also stay and work in Canada for 3 years after graduation. The Canadian government plans to attract more than 450,000 international students by 2022, up from 335,000 in 2014.

GEC's RE Portfolio

A map showing the company's seven projects are presented below.



Source: Company

The table below shows an updated summary of the acquired projects and the projects under development. Note that a few of our estimates shown in the table below may not be in line with management's estimates.

Project #	GEC Project 3	GEC Project 5	GEC Project 6	GEC Project 2	GEC Project 4	GEC Project 1	GEC Project 7	
	Viva	Burnaby Heights	West King Edward II	Pearson	Granville	Super Center(Richmond)	Mega Center (Surrey)	Total
Projected Annual Rental Income (FRC Est.)	$3,500,000	$1,775,000	$2,437,820	$4,250,000	$6,450,000	$19,565,000	$26,500,000	**$64,477,820**
CIBT Ownership	20.0%	25.0%	23.0%	42.8%	40.0%	27.1%	20.0%	
CIBT Management Fee	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Purchase Price / Construction Costs	$35,000,000	$17,750,000	$22,162,000	$42,500,000	$39,500,000	$182,000,000	$265,000,000	**$603,912,000**
Beds	224	84	188	310	221	1000	1400	**3,427**
Status	Operating	Operating	Under Development	Under Construction (operational by April 2018)	Operating	In Planning Stages (expected completion in Spring 2020)	In Planning Stages (expected completion in Spring 2020)	
NOI Estimate (FRC est.)	$1,931,961	$887,373	$1,462,692	$2,550,000	$3,225,000	$11,739,000	$17,225,000	**$39,021,026**
Cap Rate (assumption)	3.5%	3.7%	4.0%	3.7%	5.0%	4.5%	4.5%	
Current Valuation (FRC est.)	$54,743,626	$23,900,000	$36,567,300	$68,680,251	$65,920,000	$260,866,667	$382,777,778	**$893,455,621**
Gain (FRC Est.)	$19,743,626	$6,150,000	$14,405,300	$26,180,251	$26,420,000	$78,866,667	$117,777,778	**$289,543,621**

*GEC Education Super/Mega Center Ownership may change with project financing
* Our preliminary rental income estimates were based on approximately 10% of the cost price for each project.

Source: Company and FRC

The following were the key developments since our previous report in December 2017.

- Completed renovation of GEC Viva – as a result, rental revenues are expected to double to $3.50 million per year.
- Currently restructuring GEC Granville's ownership. The company raised $12 million in January 2018. Funds were used to form a new partnership to acquire all the outstanding LP units from the original partners, and increase CIBT's ownership from 20% to 40%. According to CIBT, the original major investors are expected to exit with a total return of 138%.
- Completed a $31 million / Phase 2 equity and debt raise for the GEC Education Mega Center.
- Pursuing a $44 million equity raise for the GEC Education Super Center
- GEC Pearson is expected to be operational by April 2018, which will add 310 new beds

Revenues up by 48.5% YOY

Approximately 530 beds are currently in operation. **Management expects to have over 870 beds by this summer.**

The company is planning to exit two undisclosed projects this year, and monetize their significant increase in property valuations.

In Q1-FY2018, revenues increased by 1.6% YOY, to $14.20 million, and were slightly higher than our forecasts. The table below summarizes the company's key divisions and their revenues.

Revenues and Margins by Segment

	Q1-2016	Q1-2017	Q1-2018	YOY
SSC + Others				
Revenues	6,314,245	6,878,681	10,862,820	57.9%
Gross Margins	57.52%	57.68%	53.23%	
CIBT				
Revenues	744,882	480,288	637,523	32.7%
Gross Margins	46.25%	42.81%	55.15%	
IRIX				
Revenues	224,823	215,882	377,054	74.7%
Gross Margins	74.72%	86.15%	52.74%	
Commissions + Referral Fees				
Revenues	295,607	276,124	305,156	10.5%
Gross Margins	18.95%	43.47%	26.97%	
Global Education City				
Revenues (rental)	341,787	1,664,615	2,021,317	21.4%
Gross Margins	40.74%	25.91%	25.96%	
Global Education City				
Development fees	1,443,076	4,464,286		n/a
Overall Revenues	**9,364,420**	**13,979,876**	**14,203,870**	1.6%
Overall Gross Margins	61.8%	67.1%	48.9%	

Source: Company Data

Revenue growth primarily came from the strong growth in rental revenues, and the acquisition of KGIC.

- **Educational revenues (excluding China)** were $10.86 million, up 58%, and were in line with our estimate. According to management, revenue growth came from the acquisition of KGIC in 2017 as well as organic growth. The company also recently announced that Sprott Shaw College entered into an agreement with Harvard Business School to provide online courses to students at Sprott Shaw College and CIBT's other locations. We consider this a positive development as it indicates Sprott Shaw's strong reputation. Our FY2018 revenue forecast is $51 million.

- **CIBT China's** revenues, which have been on a declining trend in the past few years, surprisingly reported a 33% YoY revenue growth in Q1-2018 to $0.64 million. Gross margins also increased substantially from 43% to 55%. The company had been phasing out its programs in China. According to management, the revenue growth this quarter was primarily due to an increase in teacher training and other programs. We will closely monitor revenues from this segment in the coming quarters before we make any adjustments to our long-term forecasts. Our FY2018 revenue forecast is $1.78 million.

- The company reported **rental revenues** of $2.02 million, up 21% YoY. Revenues came from Viva Suites Hotel, Granville, and Burnaby Heights. We are expecting a significant increase in rental revenues in Q2 as renovations at GEC Viva are now complete. Our FY2017 revenue forecast is unchanged at $12.22 million.

- The company did not report any revenues from **development fees** in the quarter. We now expect the company to report development fees of $11.93 million in FY2018, versus our previous forecast of $10.35 million.

We are raising our FY2018 revenue estimate from $77 million to $79 million. We are maintaining our FY2019 estimate at $90 million.

Gross margins were 49% in Q1-2018, versus 67% in Q1-2017. Margins dropped as the company did not report any revenues from development fees this quarter, which have a 100% margin. We are lowering our FY2018 margin forecast on the education business from 57.5% to 55%.

Margins

	Q1-2016	Q1-2017	Q1-2018
Gross	61.8%	67.1%	48.9%
EBITDA	9.1%	30.9%	-3.8%
EBIT	6.5%	29.4%	-6.8%
EBT	4.1%	25.5%	-12.9%
Net	4.1%	40.5%	47.9%
Net (normalized)	4.3%	27.6%	-10.4%

Source: Company Data

General and administrative ("G&A") expenses increased by 47% YOY to $7.43 million, and were higher than our expectations. We are raising our FY2018 estimate from $26 million to $30 million.

EBITDA was -$0.53 million in Q1-FY2018, versus $4.32 million in Q1-FY2017**. We estimate EBITDA, including gain on property valuations, was $8.10 million in Q1-FY2017, versus $6.42 million in Q1-FY2017.** Note that the company's reported figures are slightly different from our calculations.

The total **gain in the valuation of properties** was $8.63 million in Q1-FY2018, versus $2.10 million in Q1-FY2017. Since inception of the real estate business, the company has reported total gains of $36.50 million. The table on page 4 shows our estimates of the expected increase in valuations of the assets. We estimate the company will report a total valuation gain of $56 million over FY2018 and FY2019.

CIBT reported net income of $6.80 million in Q1-FY2018, versus $5.66 million in Q1-FY2017. After deducting non-controlling interests, CIBT reported net income of $0.72 million (EPS: $0.01) in Q1-FY2018, versus $5.21 million (EPS: $0.08) in Q1-FY2017. The lower EPS was primarily because of restructuring expenses associated with KGIC, and the fact that the company did not report any revenues from development fees in the last quarter.

We are adjusting our FY2018 net income estimate from $15.67 million / EPS: $0.20 to $12.94 million / EPS: $0.17. Our FY2019 estimate is adjusted from $18.63 million / EPS: $0.24 to $17.38 million / EPS: $0.22. Note that these figures are net of non-controlling interests.

Cash Flows

Operating cash flows were $0.45 million in Q1-FY2018, versus $6.93 million in Q1-FY2017.

Summary of Cash Flows (C$, mm)	Q1-2016	Q1-2017	Q1-2018
Operating	-$0.15	$6.93	$0.45
Investing	-$1.82	-$33.81	-$12.86
Financing	$0.38	$29.56	$15.59
Effects of Exchange Rate	-$0.00	$0.05	$0.04
Net	**-$1.59**	**$2.73**	**$3.22**
Free Cash Flows to Firm (FCF)	**-$1.97**	**-$26.88**	**-$12.41**

Source: Company Data

Balance Sheet

At the end of Q1-FY2018, the company had $10.35 million in cash. The debt to capital was at 48%.

Liquidity & Capital Structure (C$)	2016A	2017A	Q1-2018
Cash + Restricted Cash	$4,489,971	$7,129,892	$10,353,964
Working Capital	-$3,994,904	-$40,534,349	-$54,163,648
Current Ratio	0.76	0.32	0.34
Debt/Capital	35.21%	43.78%	47.54%
EBIT Interest Coverage	(1.0)	1.2	(1.2)

Source: Company Data

Working capital, and the current ratio, were -$54.16 million, and 0.3x, respectively. The negative working capital was due to $45.91 million in mortgages, and $24.08 million in deferred revenues.

Stock Options and Warrants

The company had 1.64 million options (weighted average exercise price – $0.71), and 2 million warrants (weighted average exercise price – $0.75) outstanding. 0.32 million options are currently in the money.

Valuation and Rating

We are raising our fair value estimate to $1.46 from $1.43 per share, as our valuation of the student housing division increased from $38.20 million to $40.99 million. The following table summarizes our valuation.

	Ticker	EV / Revenue	P / B
American Campus Communities	NYSE: ACC	10.10	1.40
Education Realty Trust	NYSE: EDR	10.00	1.30
Average		**10.05**	**1.35**

	Projected Annual Revenues	Projected Book Value
$, millions	$64.48	$120.78
	(FRC est.)	20% of the est. budget of $604M
Fair Value of 25% Equity ($, millions)	$41.22	$40.76
Average ($, millions)	**$40.99**	

Source: FRC / S&P Capital IQ

Valuation	Fair Value	Fair Value per Share
Education Management		
* Discounted Cash Flow @ 10%	$65,275,192	$0.83
* EV / Revenue @ 1.5x	$82,091,991	$1.04
Average	**$73,683,592**	**$0.94**
Student Housing (GEC)		
	$40,991,091	**$0.52**
Fair Value Estimate	**$114,674,683**	**$1.46**

Source: FRC

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.
- Health of the rental market in Vancouver.
- 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 total revenues.

Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS (in C$)	2016A	2017A	2018F	2019F
REVENUES				
Educational	27,629,310	37,775,263	52,827,057	55,432,845
Rental	4,959,459	8,623,826	12,216,667	17,765,000
Commissions + Referral Fees	1,036,372	852,172	852,172	852,172
Design and advertising IRIX	775,266	998,824	1,048,765	1,101,203
Development fees	1,713,737	5,372,144	11,925,000	14,895,000
Total Revenues	**36,114,144**	**53,622,229**	**78,869,661**	**90,046,220**
DIRECT COSTS				
Educational	12,100,972	17,653,341	23,950,001	23,787,909
Commissions + Referral Fees	679,513	497,650	489,999	489,999
Rental	3,844,123	5,766,940	7,940,833	8,882,500
Design and advertising IRIX	161,204	240,809	262,191	275,301
Total Direct Costs	**16,785,812**	**24,158,740**	**32,643,025**	**33,435,709**
Gross Profit	**19,328,332**	**29,463,489**	**46,226,636**	**56,610,511**
EXPENSES				
Stock-based compensation	26,758	194,365	285,880	326,391
General and administrative	19,828,886	24,692,742	29,631,290	30,372,073
Business development costs/others				
Total Expenses	**19,855,644**	**24,887,107**	**29,917,170**	**30,698,464**
EBITDA	**(527,312)**	**4,576,382**	**16,309,466**	**25,912,047**
Amortization	870,376	1,290,329	1,732,110	1,746,034
EBIT	**(1,397,688)**	**3,286,053**	**14,577,356**	**24,166,013**
Interest / Finance Cost	(1,394,171)	(2,640,046)	(5,694,887)	(7,604,371)
Interest Income	645,861	1,781,861		
Foreign exchange (loss) gain	39,345	(40,288)		
Loss on disposal of property, plant and equipment	(8,363)	34,771	-	-
EBT	**(2,115,016)**	**2,422,351**	**8,882,469**	**16,561,642**
Loss of investment in associates	(820,662)	(1,268,036)		
Gain on Change of Property Fair Value	9,779,146	10,470,322	28,199,961	28,199,961
Gain on sale of discontinued operations / others	3,827,120	(1,611,113)	-	-
Net Profit (Loss) before tax	**10,670,588**	**10,013,524**	**37,082,430**	**44,761,603**
Taxes	1,455,174	1,891,082	2,252,807	3,312,328
Net Profit (Loss)	**9,215,414**	**8,122,442**	**34,829,622**	**41,449,274**
EPS	0.13	0.11	0.44	0.53
Non-controlling interests	(5,309,450)	(5,896,938)	(21,890,168)	(24,069,586)
Net Profit (Loss) to CIBT shareholders	**3,905,964**	**2,225,504**	**12,939,454**	**17,379,688**
EPS	0.06	0.03	0.17	0.22

CONSOLIDATED BALANCE SHEETS (in C$)	2016A	2017A	2018F	2019F
ASSETS				
CURRENT				
Cash and short-term investments	4,489,971	7,129,892	15,391,415	24,815,702
Cash in escrow / trust				
Accounts receivable	6,795,474	9,271,204	22,451,505	25,633,091
Prepaids and other	695,716	1,285,875	1,727,868	1,972,722
Others	-	930,149	930,149	930,149
Inventory	363,293	584,392	584,392	584,392
Total Current Assets	**12,344,454**	**19,201,512**	**41,085,329**	**53,936,056**
Due from Related Parties	2,329,947	2,776,320	2,776,320	2,776,320
Property and Equipment	2,103,147	4,142,299	5,147,597	6,239,501
Intangible Assets	8,182,067	13,178,800	12,312,745	11,439,728
Goodwill	5,721,907	7,056,274	7,056,274	7,056,274
Future Income Tax	2,091,845	2,046,307	2,046,307	2,046,307
Deferred Cur. Dev. Costs & Other Assets	1,522,116	1,854,124	1,854,124	1,854,124
Investment property	49,900,000	101,010,000	264,384,961	415,834,922
Refundable deposits + Investment	18,151,058	15,416,361	15,416,361	15,416,361
Assets held for Sale/Cash held in trust		-	-	-
Total Assets	**102,346,541**	**166,681,997**	**352,080,018**	**516,599,593**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	3,000,520	6,451,858	10,611,627	10,869,314
Deferred revenue	11,548,744	18,452,047	29,399,797	33,566,019
Lease obligation + provision	164,795	193,933	193,933	193,933
Income Tax Payable	114,836	273,212	273,212	273,212
Current portion of the long-term debt	493,638	33,362,364	33,362,364	33,362,364
Due to related parties	1,016,825	1,002,447	1,002,447	1,002,447
Total Current Liabilities	**16,339,358**	**59,735,861**	**74,843,380**	**79,267,289**
Lease Obligation	324,009	584,579	584,579	584,579
Long-term Debt	28,344,426	25,462,933	133,602,933	232,202,933
Liabilities held for Sale				
Future Income Tax Liabilities	2,399,401	4,085,456	4,085,456	4,085,456
SHAREHOLDERS EQUITY				
Share capital	49,024,991	52,190,322	52,190,322	52,190,322
Contributed surplus	5,669,832	5,741,510	6,027,390	6,353,781
Accumulated Comprehensive loss	237,890	243,766	243,766	243,766
Non-controlling interests	30,875,531	47,280,963	96,206,131	139,995,717
Deficit	(30,868,897)	(28,643,393)	(15,703,939)	1,675,749
Total shareholders' equity (deficiency)	**54,939,347**	**76,813,168**	**138,963,670**	**200,459,336**
Total Liabilities and Shareholders Equity	**102,346,541**	**166,681,997**	**352,080,018**	**516,599,593**

CONSOLIDATED STATEMENTS OF CASH FLOWS (in C$)	2016A	2017A	2018F	2019F
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit (Loss) for the year	9,215,414	8,122,442	34,829,622	41,449,274
Adjusted for items not involving cash:				
- amortization	1,386,170	2,044,159	1,732,110	1,746,034
- stock-based compensation	26,758	194,365	285,880	326,391
- loss on disposal of property, plant and equipment	(3,818,757)	(34,771)	-	-
-gain from changes in ownership investment interests	820,662	1,268,036	-	-
-development fees	(242,418)			
-gain on fair value changes in investment properties	(9,779,146)	(10,470,322)	(28,199,961)	(28,199,961)
-finance fees	550,664	766,267		
-future/current income tax provision/others	761,211	2,046,497		
Funds From Operations	**(1,079,442)**	**3,936,673**	**8,647,651**	**15,321,739**
Net changes in non-cash working capital items	441,927	7,060,989	1,485,225	997,469
Discontinued Operations				
NET CASH USED IN OPERATING ACTIVITIES	**(637,515)**	**10,997,662**	**10,132,876**	**16,319,208**
CASH FLOWS FROM INVESTING ACTIVITIES				
PP&E	(458,527)	(1,782,241)	(1,871,353)	(1,964,921)
Investment Properties	(925,265)	(35,148,261)		
Deposits on real estate properties	(6,725,000)	(500,000)		
Acquisitions	(1,956,845)	(8,297,361)	(135,175,000)	(123,250,000)
Disposal of business assets	2,887,352	(169,892)		
Restricted cash	79,563	(101,507)		
NET CASH USED IN INVESTING ACTIVITIES	**(7,098,722)**	**(45,999,262)**	**(137,046,353)**	**(125,214,921)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash from equity and debt issuances	84,413	5,096,956		
Acquisition of the Company's shares into treasury, net	(351,474)	(661,512)	-	-
Advances (to) from related parties	(2,848,753)	(2,855,956)		
Lease obligation repayments	(219,526)	(137,259)		
Non controlling interest capital contribution	10,374,000	10,510,050	27,035,000	19,720,000
Loan principal payments	(14,585,142)	(899,738)		
Long-term debt advances	19,914,554	29,476,661	108,140,000	98,600,000
Funds from loan advances	(1,897,308)	(2,478,747)		
Deferred finance fees	(706,786)	(521,927)	-	-
NET CASH FROM FINANCING ACTIVITIES	**9,763,978**	**37,528,528**	**135,175,000**	**118,320,000**
Foreign Exchange / Others	27,198	11,486		
INCREASE IN CASH FOR THE YEAR	**2,054,939**	**2,538,414**	**8,261,523**	**9,424,287**
CASH, BEGINNING OF THE YEAR	2,286,631	4,341,970	7,129,892	15,391,415
CASH, END OF THE YEAR	**4,341,570**	**6,880,384**	**15,391,415**	**24,815,702**

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.

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