



# **CIBT EDUCATION GROUP INC.**

## **Annual Information Form**

**For the year ended  
August 31, 2017**

777 West Broadway, Suite 1200  
Vancouver, BC, V5Z 4J7  
Tel: 604 871 9909  
Fax: 604 871 9919  
Website: [www.cibt.net](http://www.cibt.net)

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## GLOSSARY

“**AIF**” means an annual information form that is prepared pursuant to Part 6 of National Instrument 51-102 *Continuous Disclosure Obligations*.

“**Audit Committee**” means the Company’s audit committee.

“**Board**” means the board of directors of CIBT Education Group Inc.

“**CIBT China**” means the Company’s subsidiary, CIBT School of Business & Technology Corp.

“**Company**” means CIBT Education Group Inc. and its direct and indirect subsidiaries.

“**Fiscal 2015**” means the Company’s fiscal year ended August 31, 2015.

“**Fiscal 2016**” means the Company’s fiscal year ended August 31, 2016.

“**Fiscal 2017**” means the Company’s fiscal year ended August 31, 2017.

“**Global Education Holdings**” means the Company’s subsidiary, Global Education City Holdings Inc.

“**IRIX**” means the Company’s subsidiary, IRIX Design Group Inc.

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*.

“**RMB**” means the renminbi, the national currency of the People’s Republic of China.

“**SSCC**” means Sprott Shaw College Corp., a subsidiary of the Company.

“**SSLC**” means Sprott Shaw Language College, operated as a division of SSCC.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**VIC**” means Vancouver International College, operated as a division of SSCC.

## PRELIMINARY NOTES

### Date of Information

Unless otherwise stated, the information herein is presented as at August 31, 2017, being the date of the Company's most recently completed financial year.

### Information Incorporated by Reference

Information may be incorporated by reference into an AIF provided the same is concurrently or previously filed under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). This AIF should be read in conjunction with the Company's consolidated financial statements for Fiscal 2017 and management's discussion and analysis related thereto, and its quarterly interim financial statements for the period ended May 31, 2017, February 28, 2017 and November 30, 2016; the Company's information circular and proxy material pertaining to its annual general meeting held on January 27, 2017; and all of the Company's news releases and material change reports filed during Fiscal 2017; all of which are available on the Company's website at [www.cibt.net](http://www.cibt.net) and under the Company's profile on SEDAR. The Company's information circular and proxy material pertaining to its annual general meeting held on January 27, 2017 and all of the Company's news releases and material change reports filed during Fiscal 2017 are incorporated herein by reference.

### Currency

Unless otherwise specified, in this AIF all references to "dollars" or to "\$" are to Canadian dollars.

### Special Note Regarding Forward-Looking Statements

Statements contained in this AIF that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, financial projections, information or expectations about the Company's business plans, results of operations, products or markets, or otherwise makes statements about future events. Such forward-looking statements can be identified by the use of words such as "intends", "anticipates", "believes", "estimates", "projects", "forecasts", "expects", "plans" and "proposes". Although the Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the risk factors and other cautionary statements under "*Description of Business*". These cautionary statements identify important factors that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause actual results to differ materially from the forward-looking statements include but are not limited to the following:

- history of losses from operations
- fluctuation of real estate prices
- risks related to real estate project developments generally such as interest rates and construction delays due to factors including permit issuance, construction costs and construction labour market shortages
- slow-down of international students entering into Canada
- increased competition in the sectors in which the Company has investments
- rising construction costs
- need for additional capital to complete acquisitions and expand operations
- dependence on key personnel, the Company's facility providers and educational service providers
- ability to compete effectively with competitors that have greater financial, marketing and other resources
- ability to manage planned growth and integrate new business opportunities into existing operations
- risks involving the Chinese legal system, tax system, and foreign currency limitation
- risks related to government regulations and obtaining required approvals

- the possibility that personal information that the Company collects may be vulnerable to breach, theft or loss, which could subject the Company to liability or adversely affect its reputation and operations

Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this AIF speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events, other than as required by applicable securities laws.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

During Fiscal 2015, the Company formed Global Education Alliance Inc., a subsidiary that recruits students for top tier North American schools. Over the past three years, the Company has increased the number of international students recruited to attend schools in Canada through continued expansion and utilization of the Company's recruitment network, as well as joint overseas marketing efforts by all of the Company's subsidiary schools. The Company also undertook a number of consolidation efforts to decrease operating costs and improve operating efficiency. These reorganization measures included termination of redundant infrastructure between SSCC and other subsidiaries, merging certain campus and office locations, and combining the administration and accounting functions of various subsidiaries. In addition, the Company expanded its business into education related real estate projects.

During Fiscal 2015, the Company's major activities included the following:

1. GEC acquired a luxury hotel in downtown Vancouver to convert into accommodation for over 200 international students;
2. closed non-brokered private placement raising proceeds of \$1,224,250 by issuance of 4,897,000 units at a price of \$0.25;

During Fiscal 2016, the Company's major activities included the following:

3. the sale of one of its operating entities, Acsenda School of Management which produced a net gain on sale (after all adjustments and net of tax) of approximately \$3,800,000;
4. expanded one of the GEC<sup>®</sup> branded properties under development in central Vancouver from two to three parcels of land; and
5. the completion of the acquisition of VIC which enrolls approximately 1,300 students per year and specializes in English language training.

During Fiscal 2017, the Company's major activities included the following:

1. a limited partnership in which the Company is an investor acquired the land for the GEC Education Super Center<sup>®</sup>, and a contract was entered into for the construction of the project;
2. a limited partnership in which the Company is an investor entered into an agreement for the construction and purchase of the land and buildings for the GEC Education Mega Center<sup>®</sup>;
3. the Company acquired from the receiver for KGIC Inc. certain of its assets, including language schools and domestic and international business colleges;
4. completed private placements raising gross proceeds for the Company of approximately \$4,258,000; and
5. coordinated several private placements undertaken by real estate limited partnerships in which the Company is an investor.

## DESCRIPTION OF BUSINESS

### General

The Company is an education and student accommodations investment company headquartered in Vancouver, BC. The Company's business activities cover three complementary areas:

1. operation of a network of business, technical and language colleges in North America and Asia;
2. recruitment of international students to North America; and
3. development and management of student-centric accommodations and services.

In addition, the Company owns 51% of IRIX, a design and advertising company based in Vancouver, BC.

The following table summarizes the consolidated total revenues from sales to customers for Fiscal 2017 and Fiscal 2016 by reporting segment:

	12 Months Ended August 31, 2017	12 Months Ended August 31, 2016	Percentage Fiscal 2017	Percentage Fiscal 2016
Total revenues	\$53,622,229	\$36,114,144	100%	100%
Educational revenues – SSCC	\$27,984,388	\$24,984,123	52.2%	69.2%
Commission revenues - GEA	\$852,172	\$1,036,372	1.6%	2.9%
Educational revenues and consulting – CIBT China	\$1,726,461	\$2,208,235	3.2%	6.1%
Educational revenues – SSLC/VIC	\$8,064,414	\$436,952	15.0%	1.2%
Design and advertising revenues – IRIX	\$998,824	\$775,266	1.9%	2.1%
Rental revenues – GEC	\$8,623,826	\$4,959,459	16.1%	13.7%

None of these revenues resulted from sales or transfers to controlling shareholders or sales or transfers to joint ventures in which the Company is a participant or to entities in which the Company has an investment accounted for by the equity method.

As at August 31, 2017, the Company had cash and cash equivalents of \$6,880,384, \$18,452,047 in deferred educational revenue, and two credit facilities totaling \$5,000,000 of which \$2,500,000 was utilized as at August 31, 2017. It is the view of management of the Company that it has sufficient cash and cash equivalents on hand to cover its current business commitments, but may need additional capital to fully carry out its proposed expansion plan, and may not be able to further implement its business strategy unless sufficient funds are raised, which could cause the Company to scale back or discontinue any expansion plans.

## Services

### (i) Education Business

#### *Activities*

The Company, through SSCC and CIBT China, owns and operates a network of business, technical and language colleges in North America and Asia offering Western and Chinese accredited business and management programs, programs in college preparation, healthcare, hotel management and tourism, English language training, English teacher certifications, junior and high school preparation programs for overseas study, and other career/vocational training.

CIBT China is a post-secondary education provider in China offering Chinese college degree programs and programs for English teacher preparation, English as a Second Language, and accounting. These programs range in length from one month to three years.

SSCC currently provides education programs and services in Canada through its operating entities Sprott Shaw College, SSLC and VIC. Sprott Shaw College is a private career and technical training college offering diplomas and certificates in health sciences and social development, tourism, hospitality, business, administrative, trades and applied technology, and international studies. These programs range in length from 12 weeks to three years.



SSLC is a private language college offering certificates in English as a Second Language (ESL) for ages six years old to adult. SSLC also offers specialized English programs for adults, such as language enhancement programs, various test preparation programs, and university pathway programs. All programs range in length from one to 48+ weeks.

VIC is also a private language college with two branches; one specializing in English language training and another offering career college programs for international students. The language campus has flexible elective options, including IELTS test preparation and Medical English for adult students, as well as a specialized English for Children and Families program where children/youth from seven years old can study. Programs range from one to 48+ weeks. The career campus offers custom-designed curriculum in programs such as; Customer Service Professional, Global Business Expertise, Interpreting and Translation, and a variety of Teaching English to Speakers of Other Languages (TESOL) programs. Programs range from four to 48 weeks.

### *Student Enrollment Statistics*

A student start is defined as the number of students who registered with the school (and took classes) at any time during the fiscal year, as compared to student population, defined as students who are enrolled in programs exceeding one year in duration (i.e. most college and university programs are two to four year programs).

A number of students enrolled with SSCC take programs that run less than a year. Once a program is finished and a new student is enrolled, that new student will also count as a start, even though the total number of students actually taking classes at the time (i.e. total student population) has not increased. As a result, total student starts for a year for SSCC exceeds the total student population at SSCC at any given time.

In contrast, most of CIBT China’s students in China are enrolled in courses that are one to three years in length, so this phenomenon is not very pronounced at CIBT China. Due to this anomaly, the Company generally reports total student population figures (as opposed to total annual student start figures) for CIBT China, but total annual student starts for SSCC. As a result, the reader must be careful to discern between mixing the two when evaluating enrollment figures presented using these two different types of enrollment reporting mechanisms.

Presented below is a table indicating total annual student starts, as well as total student population figures, for CIBT China, SSCC and VIC.

	<b>Total Annual Student Starts (9/1/2016 – 8/31/2017)</b>	<b>Total Student Populations as at 8/31/2017</b>
CIBT China	629	1,576
SSCC	6,206	2,754
VIC	1,651	230
<b>Total</b>	<b>8,486</b>	<b>4,560</b>

Presented below is a table indicating total annual student starts, as well as total student population figures, for SSLC’s British Columbia and Ontario locations.

	<b>Total Annual Student Starts (4/1/2017 – 8/31/2017)</b>	<b>Total Student Populations as at 8/31/2017</b>
SSLC (BC)	1,227	410
SSLC (ON)	506	178
<b>Total</b>	<b>1,733</b>	<b>588</b>

### *Locations*

The programs in China are provided from either a university campus or from a satellite centre organized within an established local university or college through cooperation agreements between the Company or a subsidiary and the respective university or college. The cooperating university or college provides its facilities, and the Company is responsible for renovating classrooms and providing video conferencing equipment.

CIBT China also has joint program schools at two locations in China offering hotel management, design, early childhood education, physical education and business courses.

SSCC’s Sprott Shaw College division provides its programs from 16 campuses and three offices in British Columbia, including one satellite location, Canada, all of which are leased. Sprott Shaw College also provides a number of its programs through mini-campuses located in various other parts of Canada.

SSCC’s SSLC provides its programs from four campuses in Canada: Vancouver, Victoria, and Surrey, BC, and Toronto, Ontario, and one centralized head office in Vancouver, BC, all of which are leased. VIC provides its programs from two campuses in downtown Vancouver, BC, both of which are leased, and is also supported by the SSLC centralized head office.

*Target Students*

The target students for the Company’s schools are recent high school graduates or adults working in urban centres. The Company believes that its core educational programs in business, hotel and tourism management, and healthcare represent large and growing markets with attractive employment opportunities.

The Company’s management believes prospective students are attracted to its schools due to the quality of its programs, its relatively long operating history in the private education sector, its extensive international network and its ability to provide training which is relevant in obtaining jobs from multinational corporations and other employers in China and elsewhere. CIBT China and SSCC employ a variety of marketing and recruiting methods to attract students and increase enrollments. CIBT China uses recruitment channels such as recruiting agents, direct recruitment from government colleges and student referrals. CIBT China also relies on Internet and newspaper advertising. SSCC’s student recruitments are generated through a combination of recruiting agents and student referrals and SSCC relies on traditional marketing methods including radio, television, newspaper and bill board advertising.

*Governmental Approvals*

The educational operations of CIBT China in China and SSCC in Canada require approvals from various government authorities. In order to open its campuses and/or offer its educational programs, CIBT China obtained approvals from the following authorities:

- Ministry of Education – The Ministry of Education in China is the government’s national agency that is responsible for approvals of all Chinese and foreign bachelor’s and master’s degree programs offered in China.
- Provincial Education Committees – A provincial committee provides provincial approvals to operate a campus or school in a Canadian province, as well as approvals for bachelor and master’s degree programs to be offered in the province.
- Municipal Education Bureaus – A municipal education bureau provides municipal approvals to operate a campus or school in a Canadian city, as well as approvals for certificate, bachelor or master degree programs to be offered in the city.

The following table describes the approvals obtained for CIBT China’s campus and for the programs provided at the campus.

<b>Campus</b>	<b>Location</b>	<b>Offered Programs in each campus</b>	<b>Approval Authority</b>	<b>Approval Date</b>	<b>Renewal Date</b>
CIBT Beihai International College	Weifang, Shandong province	IT program, Business English program, CET program, Auto training program	Shandong Provincial Government	October 31, 2004	Renewal not required

The Company’s management is satisfied that all approvals necessary for CIBT China to carry on its education business in China have been obtained.

SSCC is subject to the jurisdiction of certain regulatory bodies, including the following:

- Private Training Institutions Branch: The Private Training Institutions Branch sets basic education standards for registered private career training institutions and language institutions in British Columbia and establishes standards of quality which must be met by designated institutions in areas such as programs, instructors and staff, enrolment contracts, fees and tuition, work experience, student withdrawal and dismissal, and student dispute resolution. The Private Training Institutions Branch, which replaced the Private Career Training Institutions Agency, is established under the *Private Training Act*, and currently falls under the responsibility of the BC Ministry of Advanced Education.
- StudentAid BC: StudentAid BC helps eligible students with the cost of their post-secondary education through loans, grants, scholarships, and other programs and also offers programs for borrowers who need help repaying their loans. BC student loans are provided by the provincial government and Canada student loans are provided by the federal government. These loans are managed as a single Canada-BC integrated loan at the National Student Loans Service Centre.
- College of Licensed Practical Nurses of British Columbia: The College of Licensed Practical Nurses of British Columbia is responsible for regulating the profession of Licensed Practical Nurses in the public interest.
- BC Care Aide & Community Health Worker Registry: The Registry develops a process for Health Care Assistant program recognition and lists Health Care Assistant educational institutions in British Columbia that meet specific program standards. The Registry acts to serve and protect vulnerable patients, residents and clients receiving care from health care assistants employed by publicly funded facilities.
- Ministry of Children and Families (British Columbia): The Ministry of Children and Families provides programs and services to ensure that healthy children and responsible families are living in safe, caring and inclusive communities, including the establishment of Child Care Occupational Competencies that must be met by both training facilities and early childhood educators.
- Industry Training Authority: The Industry Training Authority is a provincial crown agency. It was established in 2004 and is responsible for managing BC's industry training system to develop the skilled workforce needed to ensure the competitiveness and economic prosperity of the Company's businesses and the Province of British Columbia. The Industry Training Authority leads and coordinates BC's skilled trades system, working with employers, employees, industry, labour, training providers and government to issue credentials, support apprenticeships, fund programs, set program standards and increase opportunities in the trades.
- The Ministry of Advanced Education and Skills Development (Ontario): The Ministry of Advanced Education and Skills Development develops policy directions and registers private career and language colleges in Ontario. The ministry administers several legislations, including the Ministry of Training, Colleges and Universities (MTCU) Act, and International Student Program regulations.

In British Columbia, all vocational programs costing over \$1,000 and providing at least 40 hours of instruction are accredited by the Ministry of Education. SSCC's Practical Nursing program is approved by the College of Licensed Practical Nurses of British Columbia. The Early Childhood Education program is approved by the Ministry of Children and Families. The Trades Programs are approved by the Industry Training Authority. All academic programs are subjected to a quality assessment process undertaken by the Degree Quality Assessment Board which then makes recommendations in support of the Minister of Advanced Education's statutory powers to approve new degree programs.

#### (ii) Student Recruitment Business

##### *Activities*

Global Education Alliance, a division of the Company, recruits international students for primary schools, secondary schools and universities in North America, such as British Columbia Institute of Technology, Capilano University, Columbia College, Pythagoras Academy, Southpointe Academy and Vancouver Community College. One source of students for recruitment is the education centres operated by the Company in Asia under the brand name, *CIBT International English*. Global Education Alliance also relies upon referral contacts to provide international student leads.

(iii) Student Accommodations Business

*Activities*

The Company's student-centric accommodations business, such as serviced apartments and hotels for domestic and international students as well as technology professionals in the Metro Vancouver area of British Columbia, is administered through Global Education Holdings, an investment holding and management company with a special focus on education real estate projects in Canada.

Due to the low vacancy rate generally, and, in particular, the significant shortage of affordable rental apartments in Metro Vancouver, students face difficulty in finding affordable housing when coming to study in Vancouver. In order to help meet this need, Global Education Holdings is spearheading the development of education themed real estate projects in Metro Vancouver featuring student-centric accommodations and services, including international student landing services, hot meals, student lounge for after school activities, shuttle bus to and from nearby schools, private tutoring, excursion activities for the weekends, and student counseling, all of which are intended to provide a safe, secure, and convenient environment for the students. In addition to serviced apartments and short-stay hotels for students, the Company has also identified a need for affordable housing for technology workers migrating from across Canada and the USA to Vancouver.

The student accommodations business provides the Company with three potential revenue streams

1. fees from developing and structuring each project;
2. a proportional interest in the net profits generated by each project through the holding of limited partnership units; and
3. management fees from managing the business operations of each project.

In addition, those properties that meet the definition of investment properties are fair valued at the end of each reporting period, and the Company shares in the proportional interest of any gains or loss on changes in fair value. On disposition of the property, the Company will receive their share of proceeds as set forth in the applicable limited partnership agreement.

(iv) Operations of IRIX

*Products and Services*

IRIX provides a wide range of production and design services. The types of major services and the percentages of overall revenues of IRIX are summarized as follows:

<b>Description</b>	<b>Percentage of Overall Revenues 2017</b>
Graphic Design	51%
Product Sales	15%
Marketing Consulting Services	3%
Production Services for print, video, film and multimedia	24%
Media Booking Agency	7%

*Marketing Strategy*

IRIX targets small-size businesses that are looking to promote themselves in the marketplace through good marketing of a defined image. IRIX works with clients to find a good solution to fulfill the promises of their brands or services through advertising, corporate identity, personal profile building, printing services, multimedia production, marketing support, website development, web application, online marketing, and internet advertising. IRIX's experience and understanding of the Chinese market also allows it to target clients who intend to build a Chinese customer base.

## **Specialized Skill and Knowledge**

The Company's education business requires instructors with knowledge of the subjects taught as part of the programs offered by the Company's subsidiaries.

## **Competitive Conditions**

The Company's education business faces competition from providers of traditional education programs and training services, and expects to face increasing competition from existing competitors and new market entrants in the online education market, including the following:

- U.S. or Canadian-based for-profit post-secondary and English as a Second Language education companies that also offer educational services in Canada.
- Oversees for-profit post-secondary education companies that also offer western-style educational programs in Canada or China.
- Not-for-profit post-secondary education companies that offer educational programs.
- Not-for-profit post-secondary education companies that offer western-style educational programs. These are typically public schools run by the local government. Their programs are in high demand and they are one of the Company's significant competitors.
- Online education companies that offer download and self-study, language based one-on-one video conference teaching using low cost personal computers, and American and Canadian universities (such as Simon Fraser University and Richard Ivey School of Business) who use video conferencing equipment to deliver classes within their system of school, but do not operate outside of that system of schools.

The recruitment business faces competition from independent agents, and immigration companies as well as direct recruitment by schools.

The Company's student accommodations business does not currently face any significant competition but no assurance can be given that this situation will continue.

IRIX faces intense competition from a wide range of companies. The multimedia, advertising and graphic design market consists of many competitors, from world-wide or nation-wide advertising companies or agencies, to self-employed web designers or programmers. Many of IRIX's competitors have substantially greater financial and other resources. IRIX primarily competes with small-size Vancouver-based companies rather than large-size advertising companies or agencies.

IRIX's products and services are distinguished by the quality of the products and services being offered and an emphasis on customer focus rather than low price. Therefore, an aggressive price competition from existing or future competitors could result in the need to reduce prices or increase the Company's spending and could result in a decrease in the Company's revenues and profitability.

IRIX's competitors for the Asian market in Vancouver currently include five to ten firms, including Grapheme/Koo, Cossette Communications Group, Chinese Agency (Canada) Ltd, and Hamasaki Wong. Other advertising and graphic firms who compete in the real estate market include Traction Creative Communications and Fleming Creative Group.

## **Intangible Assets**

The Company's trademarks, copyrights, domain names, trade secrets and other intellectual property rights distinguish its services from those of its competitors and contribute to its ability to compete in its target markets. The Company relies on a combination of copyright and trademark law, trade secret protection and confidentiality agreements with its employees, lecturers, business partners and others, to protect its intellectual property rights. In addition, the Company requires its employees to enter into agreements with the Company under which they acknowledge that all inventions, trade secrets, works of authorship, developments and other processes made by them during their employment are the Company's property.

The Company owns the copyright to all of the contents of its websites, which include [www.cibt.net](http://www.cibt.net), [www.cibt.edu](http://www.cibt.edu), [www.cibt.ca](http://www.cibt.ca), [www.cibt.cn](http://www.cibt.cn), [www.mygea.ca](http://www.mygea.ca), [www.mygln.com](http://www.mygln.com), [www.vicenglish.com](http://www.vicenglish.com), [www.studyslsc.com](http://www.studyslsc.com), [www.sprottshaw.com](http://www.sprottshaw.com), [www.sprottshaw.ca](http://www.sprottshaw.ca), [www.mySSLC.com](http://www.mySSLC.com), [www.studenthotel.ca](http://www.studenthotel.ca), [www.studenthotel.net](http://www.studenthotel.net), [www.educity.ca](http://www.educity.ca), [www.myaplus.ca](http://www.myaplus.ca), [www.gdancechallenge.com](http://www.gdancechallenge.com) and [www.rix-design.com](http://www.rix-design.com). The Company, directly or indirectly, is the owner of the registered trademarks Sprott Shaw College, Sprott-Shaw, Sprott-Shaw Community College, Pitman Business College, Tourism Training Institute, Concordia Career College and Modus International Language Institute, GEC and Global Education City, GEC Education Super Center, GEC Education Mega Center and Education Mega Center.

In addition, the Company owns the following intangible assets, among others, related to its education programs and training services business, directly or indirectly through its subsidiaries:

- affiliation agreements
- recruiting agent agreements
- course curriculum

The Company's intellectual property is subject to risks of theft and other unauthorized use, and the Company's ability to protect its intellectual property from unauthorized use is limited. In addition, the Company may be subject to claims that it has infringed the intellectual property rights of others. The Company's failure to protect its intellectual property rights may undermine its competitive position, and litigation to protect its intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.

### Cycles

The Company's education business is seasonal in nature as it fluctuates with the applicable school terms. As a result, the Company has historically received spikes in its deferred revenues in September, which is the typical starting date for a student of SSCC.

### Employees

#### Total Employees

As at August 31, 2017, the Company's head office in Vancouver employed eight full-time personnel who oversee its operations and carry out strategic planning, corporate communications, marketing, financing, human resources and information technology functions.

As at August 31, 2017, the personnel employed in the Company's education business were as follows:

	<b>Full-time Instructors</b>	<b>Part-time Instructors</b>	<b>Administrative and Other Employees</b>	<b>Total Employees</b>
CIBT China	20	8	25	53
VIC	-	36	14	50
SSCC	50	118	104	272
SSLC (BC)	3	76	54	133
SSLC (ON)	5	32	10	47
<b>Total</b>	<b>78</b>	<b>270</b>	<b>207</b>	<b>555</b>

As at August 31, 2017, the Company's student recruitment business had seven full-time employees and no part-time employees, and its student accommodations business had 17 full-time employees and no part-time employees.

As at August 31, 2017, IRIX had nine full-time employees and no part-time employees.

### Foreign Operations

Approximately 3.2% of the Company's consolidated revenues earned during Fiscal 2017 were generated through foreign operations, most of which are conducted in China and other parts of Asia.

## **Bankruptcy and Similar Procedures**

Management of the Company is not aware of any bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, within the three most recently completed fiscal years or during or proposed for the current fiscal year.

## **Risk Factors**

In addition to the risks described elsewhere in this AIF, the Company and its subsidiaries are subject to certain risks including those described below.

### *Risks Related to the Company's Business*

*The Company has experienced losses.*

The Company incurred operating income of \$3,286,053 during Fiscal 2017 and operating loss of \$1,397,688 in the prior year. The Company experienced deficit of (\$28,643,393) during Fiscal 2017 and (\$30,868,897) in the prior year. In addition, the Company expects that its operating expenses and business development expenses will increase as it enrolls more students, acquires new schools and continues to expand its program offerings through its acquisitions, and invests in its student accommodations business.

*The Company will need additional capital to fully carry out its proposed plans.*

The Company will require significant expenditures of capital in order to carry out its full business strategy. The Company plans to obtain the necessary additional funds from commercial bank loans or the sale of assets on terms considered favourable by the Company. However, there can be no assurance that the Company will obtain the financing required, or at all. If the Company is not able to obtain the necessary additional financing, it may be forced to scale back its business plans or eliminate them altogether.

*Environmental matters.*

The Company is an investor in entities holding real property (the “**Real Estate Entities**”) which are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Real Estate Entities could be liable for the costs of removal of hazardous substances and remediation of hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Real Estate Entities’ ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Real Estate Entities. The Company is not aware of any material non-compliance with environmental laws with respect to any of the properties held by a Real Estate Entity in which the Company holds an interest, nor of any pending or threatened investigations or actions by environmental regulatory authorities.

Environmental laws and regulations may change and the Company may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the Company’s business, financial condition or results of operations.

*Liquidity of real estate investments.*

The Company’s investments in the Real Estate Entities are relatively illiquid. Such illiquidity may tend to limit the Company’s ability to vary its portfolio promptly in response to changing economic or investment conditions.

*The expansion of the Company’s business through acquisitions, joint ventures, and other strategic transactions creates risks that may reduce the benefits the Company anticipates from these strategic transactions.*

The Company intends to enter into acquisitions, joint ventures and other strategic transactions to acquire new campuses or schools to expand its operations. The Company’s management is unable to predict whether or when any other future strategic transactions will occur.

Acquisitions, joint ventures or other strategic transactions may present financial, managerial and operational challenges, including but not limited to maintaining the consistency of the Company's teaching quality and its culture to ensure that recognition of the Company's brands does not suffer. The Company may be exposed to successor liability relating to prior actions involving a predecessor company, or contingent liabilities incurred before a strategic transaction. Liabilities associated with an acquisition or a strategic transaction could adversely affect the Company's financial performance. Any failure to integrate new businesses or manage any new alliances successfully could adversely affect the Company's reputation and financial performance.

*The Company may not be able to improve the operating performance and financial results of acquired businesses or lower the costs of services provided as planned.*

While the Company believes that there usually are a number of opportunities to reduce operating costs and improve the financial results of businesses acquired by it, the Company cannot fully evaluate its plans or confirm its projections until it controls the acquired business. The Company may not be able to achieve its planned operating improvements, cost reductions or expected synergies in its expected time periods, if at all. In addition, some of the improvements the Company plans to implement may depend upon capital expenditure projects at the acquired business. Such capital projects may not be completed in the Company's expected time periods, if at all, may not achieve the results that the Company has estimated or may have a cost substantially in excess of the Company's planned amounts. This could materially adversely affect the Company's results of operations and financial condition on a consolidated basis.

*A substantial decrease in government student loans, or a significant increase in financing costs for SSCC's students, could have a material adverse effect on student enrollment and financial results.*

Some of SSCC's students in Canada are highly dependent on government-funded financial aid programs. Students apply for student loans on an annual basis. If there are changes to financial aid program regulations that restrict student eligibility or reduce funding levels for student loans, SSCC's enrollment and/or collection of student billings may suffer, causing revenues to decline.

Interest rates have reached relatively low levels in recent years, creating a favourable borrowing environment for students. However, if interest rates increase, the SSCC's students may have to pay higher interest rates on their loans, which could result in a significant reduction in SSCC's student population and revenues.

*If SSCC is not able to continue to have its campuses and education facilities in Canada certified as eligible educational institutions in accordance with the requirements of applicable student loan regulations at the federal and provincial levels, its students will not be eligible for student loans if they enroll in SSCC's programs and SSCC could suffer from reduced enrollment levels, which would have a material adverse effect on its revenues.*

Private educational institutions must be certified on a campus by campus basis in order for their students to be eligible to apply for student loan and student grant funding. Certifications are valid for a period of up to five years, subject to review by the granting authority. There are also a number of administrative requirements that must be complied with in order to maintain an existing certification. SSCC employs a Manager of Student Services and two other staff members whose responsibilities include the oversight of each campus' compliance program with the administrative requirements to maintain their student loan accreditations. In addition, SSCC's head office and StudentAid BC each conduct semi-annual audits to verify that the campuses are in compliance. However, there can be no assurance that SSCC's campuses will be certified in the future or will maintain their existing certifications. If SSCC was to lose certifications for a number of its campuses, its enrollment levels would in all likelihood decrease, which would negatively impact its results of operations and financial condition.

*The Company's quarterly results of operations are likely to fluctuate based on seasonal student enrollment patterns.*

The Company's education business is seasonal in nature and it receives a large portion of its cash flows at the beginning of each new school year in September and cash flows increase again in the summer due to summer classes. Accordingly, the Company's results in a given quarter may not be indicative of its results in any subsequent quarter or annually. The Company's quarterly results of operations have tended to fluctuate as a result of seasonal variations in its education business in China and Canada, principally due to seasonal enrollment patterns.



*The Company operates its education business in a competitive industry.*

The post-secondary education market is highly fragmented and competitive. The Company competes for students with traditional public and private colleges and universities, other not-for-profit schools, including those that offer online learning programs, and alternatives to higher education, such as employment and military service. Many public and private schools, colleges, and universities offer online programs. The Company expects to experience additional competition in the future as more colleges, universities, and for-profit schools offer an increasing number of online programs. Public institutions receive substantial government subsidies, and public and private non-profit institutions have access to government and foundation grants, tax-deductible contributions, and other financial resources generally not available to for-profit schools. Accordingly, public and private nonprofit institutions may have instructional and support resources superior to those in the for-profit sector, and public institutions can offer substantially lower tuition prices. Some of the Company's competitors in both the public and private sectors also have substantially greater financial and other resources than the Company. The Company may not be able to compete successfully against current or future competitors and may face competitive pressures that could adversely affect its business, prospects, financial condition, and results of operations. These competitive factors could cause the Company's enrollments, revenues, and profitability to significantly decrease. However, any students which enroll at a competitor's school will still be a potential client of the Company's student accommodations business.

*A portion of the Company's Canadian business is generated through overseas recruitment activities which require students to apply for student visas, and this exposes the Company to the risk of visa and immigration policy changes.*

International student recruitment is subject to uncertainty regarding the student's application for a student visa. Should the Canadian government decrease the number of student visas it offers within various foreign countries in which the Company actively recruits, it could have a material adverse effect on the Company's results of operation and financial condition.

*A surge of student housing could adversely affect the Company's education-related real estate business.*

Although there is currently a large need for student accommodations in the Metro Vancouver area, a material decrease in this need, whether due to an increase in competition or other reasons, could jeopardize the Company's education-related real estate business. In addition, the Company's real estate business is dependent upon securing substantial third party investment for its projects.

*Real estate market fluctuations, increased interest rates, and delays in construction.*

The Company's student housing business can be subject to various risks including an increase in interest rates, delays in construction for reasons including but not limited to delays in obtain required permits, cost overruns, and fluctuations in the value of real estate.

*Tax risks.*

The Company is subject to various taxes including, but not limited to, Canadian income tax, goods and services tax, provincial sales tax, land transfer tax and payroll tax, and its tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

*No Dividends on Shares.*

The Company has never declared or paid any dividends or distributions on its Shares. It is currently expected that the Company will retain future earnings, if any, to support operations and to finance future acquisitions and investments and therefore will not pay any cash dividends on its shares for the foreseeable future.

### Risks Related to Doing Business in China

*The Company is exposed to currency exchange risk which could cause its reported earnings or losses to fluctuate.*

The value of the RMB against the Canadian dollar fluctuates and is affected by, among other things, changes in political and economic conditions in China as well as the global economy. It is possible that the Chinese government could adopt a more flexible currency policy, which could increase the volatility of the exchange rate between the RMB and the U.S. dollar. The Company can offer no assurance that the RMB will be stable against the U.S. dollar or any other foreign currency.

The Company's functional and reporting currency is the Canadian dollar. However, a portion of the Company's assets, liabilities, revenues and expenses are denominated in RMB – during Fiscal 2017, approximately 3.2% of the Company's revenues were generated from business activities in China. As a result, the Company is exposed to currency exchange risk on any assets and liabilities and revenues and expenses denominated in currencies other than the Canadian dollar, including the RMB. To the extent the Canadian dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions results in reduced revenue, operating expenses and net income or loss for the Company's international operations. Similarly, to the extent the Canadian dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions results in increased revenue, operating expenses and net income or loss for the Company's international operations.

*The Company is subject to limitations on its ability to convert Chinese currency.*

Conversion of RMB into foreign currencies and of foreign currencies into RMB, for payments relating to “capital account transactions”, which principally includes investments and loans, generally requires the approval of the Chinese State Administration of Foreign Exchange and other relevant Chinese governmental authorities. Restrictions on the convertibility of the RMB for capital account transactions could affect the ability of the Company's Chinese subsidiary to make investments overseas or to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Company.

*The Company depends upon the acquisition and maintenance of approvals to conduct its business in China. Failure to obtain or renew these approvals will adversely affect our operation in China.*

The Company is dependent upon certain approvals in China, including, without limitation, campus approvals, and program approvals, to conduct its business. While the Company believes that all steps necessary to obtain or maintain these approvals have been taken and will be taken, the failure to obtain or renew these approvals could have a material adverse impact on the Company's business, results of operations and financial condition. It is also possible that new laws and regulations governing the education business in China will prohibit or restrict foreign investment in the education business generally, which would significantly impact the scope of its operations and may materially adversely impact its results of operations.

*Chinese economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the prospects of the education market, which in turn could adversely affect the Company's business.*

The Company's business, financial condition, results of operations, prospects and certain transactions it may undertake are subject, to a significant extent, to economic, political and legal developments in China.

Demand for the Company's programs and services depends, in large part, on economic conditions in China. A continued slowdown in China's economic growth may cause the Company's potential customers to delay or cancel their plans to participate in the Company's educational services, which in turn could reduce its revenues.

China's social and political conditions are also not as stable as those of the USA and other developed countries. Any sudden changes to China's political system or the occurrence of widespread social unrest could have negative effects on the Company's business and results of operations. In addition, China has tumultuous relations with some of its neighbors and a significant further deterioration in such relations could have negative effects on the Chinese economy and lead to changes in governmental policies that would be adverse to the Company's business interests.

*Uncertainties with respect to the Chinese legal system could adversely affect the Company.*

The Company's operations in China are governed by Chinese laws and regulations. Since 1979, Chinese legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited number of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Operating in China involves a high risk that restrictive rules and regulations could change at any time.

*The Company is subject to uncertainty related to the tax systems in China and any uncertainty in taxation could negatively affect its business, results of operations and financial condition.*

China currently has a number of laws related to various taxes imposed by both national and regional governmental authorities. Applicable taxes include value added tax, corporate income tax (profits tax), and payroll (social) taxes, together with others. In contrast to more developed market economies, laws related to these taxes have not been in force for a significant period, and interpretive regulations are often unclear or nonexistent. Often, there are differing opinions regarding legal interpretation, both among and within government ministries and organizations, resulting in uncertainties and areas of conflict. Matters of taxation, customs and currency control, as well as other areas, are subject to review and investigation by a number of governmental authorities, who are enabled by law to impose extremely severe fines and penalties. Any regulatory uncertainty in taxation or other areas could have a material adverse effect on the Company's business, results of operations and financial condition.

*There are various restrictions under Chinese law on the distribution of dividends by the Company's Chinese operating companies.*

The Wholly-Foreign Owned Enterprise Law (1986), as amended and the Wholly-Foreign Owned Enterprise Law Implementing Rules (1990), as amended and the Company Law of the People's Republic of China (2006) contain the principal regulations governing dividend distributions by wholly foreign owned enterprises. Under these regulations, wholly foreign owned enterprises may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Additionally, a wholly foreign owned enterprise is required to set aside a certain amount of its accumulated profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes.

#### General Operating Risks

*Loss of certain key personnel may adversely impact the Company's business.*

The success of the Company's business will depend on the management skills of certain key personnel and the relationships they have with educators, administrators and other business contacts they have in China and North America. The loss of the services of any of the Company's key personnel could impair our ability to successfully manage our business in China and Canada. The Company also depends on successfully recruiting and retaining qualified and experienced managers, sales persons and other personnel who can function effectively in China and Canada. In some cases, the market for these skilled employees is highly competitive. The Company may not be able to retain or recruit such personnel on terms acceptable to it, which could adversely affect the Company's business prospects and financial condition.

*The Company's success depends, in part, on its ability to keep pace with changing market needs.*

The success of the Company's business will depend on the management skills of certain key personnel and the relationships they have with educators, administrators and other business contacts they have in China and North America. The loss of the services of any of the Company's key personnel could impair our ability to successfully manage our business in China and Canada, which could adversely affect the Company's business prospects and financial condition.

*The personal information that the Company collects may be vulnerable to breach, theft or loss, which could subject the Company to liability or adversely affect its reputation and operations.*

Possession and use of personal information in the Company's operations subjects it to risks and costs that could harm the Company's business and reputation. The Company collects, uses and retains large amounts of personal information regarding its students and their families, including personal and family financial data. The Company also collects and maintains personal information of its employees in the ordinary course of business. Although the Company uses security and business controls to limit access and use of personal information, a third party may be able to circumvent those security and business controls, which could result in a breach of student or employee privacy. In addition, errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in the Company's operations also subjects it to legislative and regulatory burdens that could require the Company to implement certain policies and procedures, regarding the identity theft related to student credit accounts, and could require the Company to make certain notifications of data breaches and restrict its use of personal information. A violation of any laws or regulations relating to the collection or use of personal information could result in the imposition of fines against the Company. As a result, the Company may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. While the Company believes it takes appropriate precautions and safety measures, there can be no assurances that a breach, loss or theft of any such personal information will not occur. Any breach, theft or loss of such personal information could have a material adverse effect on the Company's financial condition, reputation and growth prospects and result in liability under privacy statutes and legal actions against the Company.

*Compliance with rules and requirements applicable to public companies may cause the Company to incur increased costs.*

Changing laws, regulations and standards relating to corporate governance and continuous disclosure result in increased legal and financial compliance costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

## **DIVIDENDS**

The Company has never declared or paid any cash or stock dividends on their common shares since their inception. Since the Company currently has a policy of investing earnings in the expansion of its business, the Company does not anticipate paying cash or stock dividends on their common shares for the foreseeable future. Future dividends on their common shares will be determined by the Board in light of circumstances existing at the time, including their earnings and financial condition. There is no assurance that dividends will ever be paid.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

All of the issued common shares of the Company are fully paid and non-assessable. Each common share entitles the holder thereof to one vote per share at all meetings of shareholders. All of the common shares issued rank equally as to dividends, voting rights and distribution of assets on winding up or liquidation. Shareholders have no preemptive rights, nor any right to convert their common shares into other securities. There are no existing indentures or agreements affecting the rights of shareholders other than the notice of articles and articles of the Company.

## **MARKET FOR SECURITIES**

### **Market**

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange under the symbol "MBA" and on the OTCQX under the symbol "MBAIF".

## Trading Price and Volume

The following table sets forth the particulars of the trading of the common shares of the Company on the Toronto Stock Exchange during the most recently completed financial year:

Month	High (CDN\$)	Low (CDN\$)	Close (CDN\$)	Volume
September 2016	0.65	0.54	0.61	1,144,280
October 2016	0.65	0.485	0.485	998,685
November 2016	0.55	0.47	0.485	749,744
December 2016	0.64	0.49	0.59	881,964
January 2017	0.75	0.60	0.69	2,261,689
February 2017	0.70	0.62	0.66	1,348,882
March 2017	0.69	0.61	0.68	2,317,055
April 2017	0.84	0.67	0.83	1,912,749
May 2017	0.96	0.78	0.84	2,509,695
June 2017	0.85	0.68	0.78	1,776,025
July 2017	0.82	0.72	0.82	895,060
August 2017	0.82	0.73	0.80	1,719,386

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

The name, province or state and country of residence, position with and principal business or occupation in which each director and executive officer of the Company has been engaged during the immediately preceding five years, is as follows:

Name, Position, Province or State and Country of Residence	Principal Occupation or Employment for the Past Five Years	Director Since
TOBY CHU <sup>3,4</sup> BC, Canada <i>Chief Executive Officer, President, Chairman and Director</i>	President and Chief Executive Officer of the Company.	May 11, 1994
TONY DAVID <sup>2</sup> BC, Canada <i>Director</i>	Retired oral maxillofacial surgeon.	July 28, 1998
DEREK FENG <sup>1,2,4</sup> California, USA <i>Director</i>	Independent investment consultant since June 2017; Management Director of Fosun Group from July 2016 until March 2017; CEO of Global Education & Technology Group from 2014 until 2016; Chairman/Interim CEO of ChinaCast Education Corporation from 2012 to 2014; Executive Vice President, Strategy, Planning and Operations at Knowledge Universe from 2006 to 2011.	July 19, 2011
DAVID HSU <sup>1,2,4</sup> California, USA <i>Director and Vice-Chairman</i>	Businessman and retired physician.	February 27, 2006

DENNIS HUANG BC, Canada <i>Secretary and Chief Financial Officer</i>	Chief Financial Officer of the Company since June 2010.	Not Applicable
TROY RICE <sup>1,3</sup> Arizona, USA <i>Director</i>	Chief Financial Officer of Strategic Solar Energy, LLC since 2010; Chief Investment Officer of HFC Advisors from 2009 to 2011.	October 28, 2005
SHANE WEIR <sup>1,3</sup> Hong Kong, PRC <i>Director</i>	Senior solicitor with Weir & Associates in Hong Kong and Shanghai; registered investment advisor and director of Asia Pacific Investment Advisors Ltd. in Hong Kong.	December 12, 2008

1. Member of Audit Committee.
2. Member of the Company's compensation committee.
3. Member of the Company's corporate governance committee.
4. Member of the Company's executive committee.

#### *Term of Office*

The term of office for each of the Company's directors expires immediately before each annual meeting of shareholders.

#### *Share Ownership*

As of October 31, 2017, the directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 15,892,832 common shares, which together represent approximately 21% of the Company's issued and outstanding common shares. The statement as to the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of the Company as a group is based upon information furnished by the directors and executive officers.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

None of the directors or executive officers of the Company, is at the date of the AIF, or was within the past ten years before the date of the AIF, a director, chief executive officer or chief financial officer of any other company (including the Company), that:

- (a) was subject to an order (as defined below) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer and chief financial officer.

In this section, "order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation.

None of the directors or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company are, or have been within the past ten years, directors, officers or promoters of other companies which were declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

None of the directors or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the past ten years, declared bankruptcy or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with any creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that director, executive officer or shareholder.

None of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

The Company and its properties were not subject to any legal proceedings during Fiscal 2017 except for the following:

An action in the Court of Queen's Bench of Alberta (Action No. 1601-08615) was commenced on June 29, 2016 by Arlington Street Investments Inc. and others against Tri View Capital Ltd. ("**TriView**"), the Company and others. TriView previously raised funds for one or more of the plaintiffs' projects and has also raised funds for certain real estate projects in which the Company is an investor. Disputes developed between TriView and the plaintiffs concerning business dealings not involving the Company. The plaintiffs alleged that their proprietary information was used in marketing materials for certain of the real estate projects in which the Company is an investor. This lawsuit has been settled.

The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company has analyzed all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

### **Regulatory Actions**

The Company has not:

- (a) had any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year;
- (b) had any other penalties or sanctions imposed against it by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; or
- (c) entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

For the purposes of this AIF, “informed person” means:

- (a) a director or executive officer of the Company;
- (b) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Company; and
- (c) any associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

No informed person has or has had any material interest, direct or indirect, in any transaction undertaken by the Company during its three most recently completed fiscal years or during the current fiscal year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

## TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent of the Company is Computershare Trust Company of Canada. The Company’s register of transfer of common shares is located in Vancouver, BC.

## MATERIAL CONTRACTS

The Company has entered into the following contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into within the most recently completed financial year, or prior thereto but are still in effect:

1. By agreement dated December 10, 2007, the Company entered into a registration rights agreement with Shane Corporation S.à.r.l., a private limited liability company incorporated in Luxembourg, in order to set out their rights in connection with registration, public offerings and sales of common shares. Entering into the registration rights agreement was a condition to, and in connection with, Shane Corporation S.à.r.l. entering into a plan of reorganization between the parties.
2. By agreement dated January 25, 2017, the Company entered into a debt assignment agreement with the Bank of Montreal to purchase approximately \$12,300,000 of secured debt (the “**Debt**”) for \$3,100,000. The Debt was owed by a group of colleges with 19 locations operating in British Columbia and Ontario (the “**Debtor**”). As a result of the debt assignment, the Company became the Debtor’s senior secured creditor.
3. By agreement dated March 3, 2017, a subsidiary of the Company entered into an agreement of purchase and sale with BDO Canada Limited, receiver of KGIC Inc., to purchase certain assets of KGIC Inc. including language schools and domestic and international business colleges.

## INTERESTS OF EXPERTS

The Company’s independent registered chartered auditor is BDO Canada LLP, 600 Cathedral Place, 925 West Georgia Street, Vancouver, BC, V6C 3L2. BDO Canada LLP has reported on the Company’s consolidated financial statements for Fiscal 2017, which have been filed with the relevant securities regulatory authorities. BDO Canada LLP is independent from the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.



## ADDITIONAL INFORMATION

### **Audit Committee**

Pursuant to the provisions of NI 52-110, reporting issuers in those jurisdictions which have adopted NI 52-110 are required to provide disclosure with respect to its audit committee including the text of the audit committee's charter, composition of the committee, and the fees paid to the external auditor. The Audit Committee charter is attached as Appendix A.

### ***Composition of Audit Committee***

The Audit Committee is comprised of David Hsu, Derek Feng, Troy Rice and Shane Weir. All members of the Audit Committee are independent directors of the Company within the meaning of NI 52-110. The chairman of the Audit Committee is Troy Rice. All members of the Audit Committee are financially literate. The Company considers "financial literacy" to be the ability to read and understand a company's fundamental financial statements, including a company's balance sheet, statement of income (loss) and cash flow. The members of the Audit Committee are appointed by the Board at its first meeting following the annual shareholders' meeting to serve one year terms and are permitted to serve an unlimited number of consecutive terms.

### ***Relevant Education and Experience***

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

**David Hsu** obtained his Medical Doctorate from the Medical School of the University of Hamburg, Germany in 1967 and MBA from Pepperdine University of Malibu, California in 1987. Dr. Hsu has served as a director and officer of several private and public companies and was also one of the founders of Multi-Fineline Electronix, Inc. (NASDAQ: MFLEX), a company that manufactures and assembles flexible circuits. Prior to going public, during his seventeen years as the chairman of the board of directors, Dr. Hsu was involved with financial, strategic planning, and marketing, and expanded the company's manufacturing operations in China, and helped the company achieve listing in 2004.

**Derek Feng** is currently an independent investment consultant. From July 2016 until March 2017, he was the Management Director of Education Investment for Fosun Group in China, a publicly traded conglomerate based in Hong Kong. Prior to joining Fosun, he was the CEO of Global Education & Technology Group, a leading education company in China with over 3,000 employees. Previously Mr. Feng was the Chairman/Interim CEO of ChinaCast Education Corporation. From 2006 to 2011, he was Executive Vice President, Strategy, Planning and Operations at Knowledge Universe, an education holding company with more than 40,000 employees in North America, Europe and Asia. Prior to joining Knowledge Universe, Mr. Feng held several executive positions at the General Electric Company including leading global business development at GE Industrial, a \$33 billion revenue division of GE. Mr. Feng had also held positions as a Senior Analyst in the Financial Planning and Reporting division of Enron Oil Trading and Transportation, and as a Vice President in the Investment Banking Division of Takenaka and Company, through which gained expertise in financial reporting and analysis. Mr. Feng graduated from Tsinghua University in China in 1989 with a Bachelor's degree in Industrial Automation and earned a Master of Business Administration degree from University of California, Los Angeles in 1992.

**Troy Rice** has been Chief Financial Officer of Strategic Solar Energy, LLC since 2010, a private U.S. company focused on creating innovative renewable energy technology solutions. From 2009 to 2011, he was Chief Investment Officer of HFC Advisors. Mr. Rice served as the senior vice president of Business Development at Universal Technical Institute, Inc. (NYSE: UTI), an automotive repair education company, from 2002 to 2005. From 2001 to 2002 Mr. Rice was the vice president of Petsmart, Inc. (NASDAQ: PETM), a supplier of pet supplies and products, and from 1995 to 2001, he was the senior vice president of Comfort Systems U.S.A. (NYSE: FIX), and been the chief financial officer of five companies. Mr. Rice received his Bachelor's degree in accounting from the University of Iowa in 1985 and his MBA from Arizona State University in 1992. Mr. Rice is also a Certified Public Accountant in the State of Arizona.

**Shane Weir** is a senior solicitor and consultant with Weir & Associates, Solicitors & Notaries in Hong Kong. He received his LL.B from the University of Saskatchewan in 1977 and practices in areas of Business Law, Banking Law, Commercial Law, Finance, Immigration, Intellectual Property, Securities, Taxation, Telecoms, Trademarks, Entertainment Law, and Trusts and Estates. Mr. Weir is an independent non-executive director and a member of the audit committee of e-Kong Group Limited, a listed company in Hong Kong. He has more than 40 years relevant experience and/or experience that assist in understanding and evaluating a company’s financial statements and other financial information, and to make knowledgeable and thorough inquiries and discussions regarding same.

***Reliance on Certain Exemptions***

At no time since the commencement of the Company’s most recently completed financial year, has the Company relied on the exemption in sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.4 (Events Outside Control of Member), 3.5 (Death, Disability or Resignation of Audit Committee Member) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

***Reliance of the Exemption in Subsection 3.3(2) or Section 3.6***

At no time since the commencement of the Company’s most recently completed financial year, has the Company relied on the exemption in subsection 3.3(2) (Controlled Companies) or section 3.6 (Temporary Exemption for Limited and Exception Circumstances) of NI 52-110.

***Reliance on Section 3.8***

At no time since the commencement of the Company’s most recently completed financial year, has the Company relied on section 3.8 (Acquisition of Financial Literacy) of NI 52-110.

***Audit Committee Oversight***

At no time since the commencement of the Company’s most recently completed financial year, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

***Pre-Approval Policies and Procedures***

The Audit Committee is required to approve the engagement of the Company’s external auditors in respect of non-audit services.

The aggregate fees billed by the Company’s external auditors in each of the last two financial years for audit fees are as follows:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit Related Fees<sup>(1)</sup></b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees<sup>(3)</sup></b>
2017	\$429,000	\$25,000	\$123,606	\$Nil
2016	\$235,352	\$39,639	\$43,350	\$Nil

<sup>1</sup> Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.

<sup>2</sup> Fees charged for tax compliance, tax advice and tax planning services.

<sup>3</sup> Fees for services other than disclosed in any other column.

**General**

Additional information relating to the Company may be found under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, will be contained in the Company’s information circular for its annual meeting scheduled to be held on January 26, 2018 which the Company expects to file on SEDAR on or about January 4, 2018.

Additional financial information is provided in the Company's audited consolidated financial statements and management discussion and analysis for Fiscal 2017 which is available on SEDAR.

## APPENDIX A

### Audit Committee Charter

#### Purpose

The primary purpose of the Audit Committee (the “**Committee**”) is to assist the Board of Directors (the “**Board**”) in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process. This includes oversight and review of the following:

- financial reporting and the accounting system,
- the Company's systems of internal accounting and financial controls, and
- the annual independent audit of the Company's financial statements.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or other experts for this purpose. The Board and the Committee are in place to represent the Company's shareholders; accordingly, the outside auditor is ultimately accountable to the Board and the Committee.

The Committee shall review the adequacy of this Charter on an annual basis and regularly report to the Board about Committee activities, issues and related recommendations.

#### Membership

The Committee shall be comprised of not less than three members of the Board all of whom shall be “independent” pursuant to applicable laws, rules and regulations of applicable Canadian and U.S. securities regulators. All members must also be financially literate or become financially literate within a reasonable period of time appointment to the Committee. In addition, at least one member of the Committee will have accounting or related financial management expertise.

The Committee may seek guidance from the Company's legal counsel to determine the independence of a particular director on an as needed basis.

Each Committee member will be appointed by the Board of Directors for a one year term and may serve any number of consecutive terms.

At the beginning of each fiscal year, the Committee members shall select a Chairperson.

#### Meetings

The Committee is required to meet at least once per fiscal quarter to review interim and annual financial statements before filings are made with the appropriate regulatory body.

The Committee Chairperson shall, in consultation with management and the auditors, establish the agenda for each meeting and ensure agenda materials are circulated to members in advance of each meeting such that sufficient time is provided for members to review the materials.

The audit committee shall keep regular minutes of its meetings and record all material matters and shall cause such minutes to be recorded in the books kept for that purpose and shall distribute such minutes to the board of directors.

A majority of the members of the audit committee shall constitute a quorum thereof. Questions arising shall be determined by a majority of votes of the members of the audit committee present, and in the case of an equality of votes, the chairperson shall not have a second or casting vote.

## **Authority**

The audit committee shall have the power, authority and discretion delegated to it by the board of directors which shall not include the power to change the membership of or fill vacancies in the audit committee.

The audit committee shall conform to the regulations which may from time to time be imposed upon it by the board of directors. The board of directors shall have the power at any time to revoke or override the authority given to or acts done by the audit committee except as to acts done before such revocation or act of overriding and to terminate the appointment or change the membership of the audit committee or fill vacancies in it as it shall see fit.

## **Resolutions**

A resolution approved in writing by all of the members of the audit committee shall be valid and effective as if it had been passed at a duly called meeting. Such resolution shall be filed with the minutes of the proceedings of the audit committee and shall be effective on the date stated thereon or on the latest date stated in any counterpart.

## **General Responsibilities**

The Committee's job is one of oversight and members of the Committee recognize that the Company's management is responsible for preparing the Company's financial statements and that the outside auditors are responsible for auditing those financial statements. In carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

- Review the annual financial statements and related matters and recommend their approval to the board of directors, after discussing matters such as the selection of accounting policies, major accounting judgements, accruals and estimates with the auditors and management prior to the Company's filing of its annual report.
- Review the Company's annual filings as necessary.
- Review the interim financial statements, as a group or through the Committee chair, with the outside auditors and discuss matters such as the selection of accounting policies, major accounting judgements, accruals and estimates with the auditors and management prior to the Company's filing of its interim report.
- Oversee all aspects of the external audit, including the following:
  - audit results, selection of an independent public accounting firm,
  - terms of engagement of each audit, including review of the interim financial statements and the audit of the annual financial statements,
  - the reasonableness of estimated audit fees,
  - the scope of the audit, including materiality, locations to be visited, audit reports to be prepared, areas of audit risk, timetable, deadlines and coordination with any internal audits taking place,
  - the post-audit management letter together with management's response,
  - the form of the audit report,
  - any other related audit engagements (e.g. audit of the company pension plan),
  - non-audit services performed by an auditor,
  - pre-approve all audit and non-audit services,
  - provision by the auditors of a formal written statement outlining all relationships between the auditor and the Company on an annual basis,

- assessing the auditor's performance, as well as the impact non-audit services performed by the auditors' accounting firm on the auditors' independence,
  - recommending the auditor for appointment by the board of directors, and
  - meeting with the auditors to discuss pertinent matters, including the quality of accounting personnel.
- Discuss with management and the outside auditors the quality and adequacy of the Company's accounting systems, the reliability of the accounting systems, the effectiveness of the internal controls and any changes needed to improve such reliability and effectiveness.
- Review any internal control weaknesses identified by the auditors, together with management's responses.
- Ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (except for disclosure required to be reviewed by the audit committee), and periodically assess the adequacy of those procedures.
- Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- Review and oversee any and all transactions between the Company and a related party of the Company.
- Oversee the hiring process to fill key financial positions within the Company, including chief financial officer and the controller.
- Oversee succession planning and human resource development within the Company's accounting and finance groups.
- Report to the board of directors following each meeting on the major discussions and decisions made by the audit committee and propose recommendations to the board.

The Committee shall:

- Have the power to conduct or authorize investigations into matters within the Committee's scope of responsibilities.
- Have unrestricted access to members of management and all information relevant to its responsibilities.
- Be empowered to retain independent counsel, external accountants, or others to assist it in the conduct of its duties, as the Committee deems necessary.
- The Company must provide appropriate funding, as determined by the Committee, to compensate the external accountants engaged for the purpose of rendering an audit report or performing other audit, review or attest services, to compensate any advisers employed by the Committee, and to pay ordinary administrative expenses that are necessary or appropriate in carrying out the Committee's duties.
- Request members of management, counsel, internal audit, and external accountants, to participate in Committee meetings, as necessary, to carry out the Committee responsibilities

- Periodically and at least annually, the Committee shall meet in private session with only the Committee members. The Committee shall also meet in executive session separately with the external accountants, at least annually. However, either the external accountants or counsel, may, at any time, request a meeting with the Audit Committee or the Committee chairperson, with or without management attendance.

*Other Functions* — The Committee shall perform such other functions required by law, rules of applicable securities regulators, the Company’s certificate of incorporation or bylaws, or the Board of Directors.

*External Reports* — The Committee shall provide for inclusion in the Company’s filings with applicable securities regulators, any report from the Audit Committee required by applicable laws and regulations.