

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N :

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Applicant

and

BAYVIEW CREEK (CIM) LP, CIM INVESTS DEVELOPMENT INC.
and CIM BAYVIEW CREEK INC.

Respondents

APPLICATION UNDER s. 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3;
s. 101, *Courts of Justice Act*, R.S.O. 1990, c. C.43; Rules 1.04, 2.03, 3.02(1), 14.05 (g),
14.05 (3)(g), 16.04 (1) and 38 of the *Rules of Civil Procedure*

APPLICATION RECORD

Volume 3 of 5

(returnable August 11, 2021)

DEVRY SMITH FRANK *LLP*
Lawyers & Mediators
95 Barber Greene Road, Suite 100
Toronto, Ontario
M3C 3E9

LARWRENCE HANSEN
LSO #41098W

Tel.: (416) 449-1400/(249) 888-6626
lawrence.hansen@devrylaw.ca

Lawyers for the applicant
Duca Financial Services Credit Union Ltd.

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Applicant

and

BAYVIEW CREEK (CIM) LP, CIM INVESTS DEVELOPMENT INC.
and CIM BAYVIEW CREEK INC.

Respondents

APPLICATION UNDER s. 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3;
s. 101, *Courts of Justice Act*, R.S.O. 1990, c. C.43; Rules 1.04, 2.03, 3.02(1), 14.05 (g),
14.05 (3)(g), 16.04 (1) and 38 of the *Rules of Civil Procedure*

TABLE OF CONTENTS

| TAB | DOCUMENT | PAGE NO. |
|----------------------|--|---------------------|
| VOLUME 1 OF 5 | | |
| 1 | Notice of application returnable August 11, 2021 | 1-27 |
| 2 | Affidavit of Riz Ahmad sworn July 2, 2021 | 28-46 |
| A | Exhibit “A” - Federal Corporation Information – CIM Invests Development Inc. | 47-49 |
| B | Exhibit “B” - Federal Corporation Information – CIM Bayview Creek Inc. | 50-53 |
| C | Exhibit “C” - Notice of bankruptcy – CIM Bayview Creek Inc. | 54 |
| D | Exhibit “D” - Limited Partnerships Report – Bayview Creek (CIM) LP | 55-57 |
| E | Exhibit “E” - Notice of bankruptcy – Bayview Creek (CIM) LP | 58 |
| F | Exhibit “F” - Parcel register for 10747 Bayview Avenue dated June 30, 2021 | 59-63 |

| | | | |
|----------|---------------|--|---------|
| G | Exhibit “G” - | Federal Corporation Information – 10502715 Canada Inc. | 64-66 |
| H | Exhibit “H” - | Corporation Profile Report – Bryton Capital Corp. GP Ltd. | 67-70 |
| I | Exhibit “I” - | Corporation Profile Report – Bayview Creek Residences Inc. | 71-74 |
| J | Exhibit “J” - | Transfer to CIM Bayview Creek | 75-77 |
| K | Exhibit “K” - | Trustee and Beneficial Owner Agreement dated May 15, 2018 | 78-80 |
| L | Exhibit “L” - | DUCA discharge statement dated June 29, 2021 | 81 |
| M | Exhibit “M” - | Commitment letter dated April 15, 2016 | 82-97 |
| N | Exhibit “N” - | Charge registered May 18, 2016 (in favour of DUCA) | 98-102 |
| O | Exhibit “O” - | Standard Charge Terms | 103-121 |

VOLUME 2 OF 5

| | | | |
|----------|---------------|---|---------|
| P | Exhibit “P” - | Notice of assignment of rents dated May 18, 2016 | 122-129 |
| Q | Exhibit “Q” - | General security agreement registered May 16, 2018 | 130-142 |
| R | Exhibit “R” - | Personal Property Security Act report - CIM Invests Development Inc. | 143-147 |
| S | Exhibit “S” - | Guarantee of Jiubin Feng, Dianyuan Zhang and Xiaoxin Zhang dated May 13, 2016 | 148-161 |
| T | Exhibit “T” - | Commercial Mortgage Renewal Agreement dated April 12, 2017 | 162-164 |
| U | Exhibit “U” - | Extension agreement dated April 26, 2018 | 165-167 |
| V | Exhibit “V” - | Extension agreement dated June 14, 2018 | 168-172 |
| W | Exhibit “W” - | Charge amending and confirming agreement dated March 8, 2019 registered as Instrument YR2937903 on March 12, 2019 | 173-177 |

| | | | |
|-----------|----------------|--|---------|
| X | Exhibit “X” - | Charge registered November 17, 2017 (in favour of ADJ Holdings Inc.) | 178-182 |
| Y | Exhibit “Y” - | Notice of assignment of rents registered on November 17, 2017 (in favour of ADJ Holdings Inc.) | 183-185 |
| Z | Exhibit “Z” - | Charge registered November 16, 2018 (in favour of Rompsen Investment Corporation) | 186-187 |
| AA | Exhibit “AA” - | Discharge of charge registered on November 16, 2018 (in favour of ADJ Holdings Inc.) | 188 |
| BB | Exhibit “BB” - | Demand letters dated February 4, 2019 | 189-202 |
| CC | Exhibit “CC” - | Notice of Sale Under Charge dated February 26, 2019 | 203-204 |
| DD | Exhibit “DD” - | Forebearance Agreement dated March 6, 2019 | 205-225 |
| EE | Exhibit “EE” - | Forebearance Agreement dated April 18, 2019 | 226-230 |
| FF | Exhibit “FF” - | Forebearance Agreement dated May 22, 2019 | 231-236 |
| GG | Exhibit “GG” - | Charge registered June 17, 2019 (in favour of Bryton Capital Corp. GP Ltd.) | 237-247 |

VOLUME 3 OF 5

| | | | |
|-----------|----------------|---|---------|
| HH | Exhibit “HH” - | Demand letters dated June 10, 2020 | 248-263 |
| II | Exhibit “II” - | Notice of Sale Under Charge dated June 23, 2020 | 264-265 |
| JJ | Exhibit “JJ” - | Forebearance Agreement dated July 24, 2020 | 266-272 |
| KK | Exhibit “KK” - | Order of Justice Schabas dated September 18, 2020 | 273-279 |
| LL | Exhibit “LL” - | Order of Justice Schabas dated September 18, 2020 (appointing Investigative Receiver) | 280-287 |
| MM | Exhibit “MM” - | Endorsement of Justice Schabas dated September 18, 2020 | 288 |
| NN | Exhibit “NN” - | Certificate of Pending Litigation issued September 18, 2020 | 289-290 |
| OO | Exhibit “OO” - | Notice of motion (brought by plaintiffs) | 291-307 |

| | | | |
|-----------|----------------|---|---------|
| PP | Exhibit “PP” - | Order of Justice Schabas dated September 28, 2020 | 308-326 |
| QQ | Exhibit “QQ” - | Endorsement of Justice Schabas dated October 5, 2020 | 327-328 |
| RR | Exhibit “RR” - | Investigative Receiver’s First Report to Court dated September 25, 2020 | 329-433 |

VOLUME 4 OF 5

| | | | |
|-----------|----------------|--|---------|
| SS | Exhibit “SS” - | Order of Justice Koehnen dated October 13, 2020 | 434-450 |
| TT | Exhibit “TT” - | Endorsements of Justice Koehnen dated October 13, 2020 | 451-453 |
| UU | Exhibit “UU” - | Parcel register for 10747 Bayview Avenue dated October 7, 2020 | 454-458 |
| VV | Exhibit “VV” - | Charge registered September 4, 2020 (GR (CAN) Investment Co. Ltd.) | 459-460 |
| WW | Exhibit “WW” - | Notice of Intention to Make a Proposal dated November 2, 2020 | 461-468 |
| XX | Exhibit “XX” - | Motion record of CIM Bayview Creek Inc. | 469-604 |

VOLUME 5 OF 5

| | | | |
|------------|-----------------|--|---------|
| YY | Exhibit “YY” - | Trustee’s First Report – In the Matter of the Notice of Intention to Make a Proposal of CIM Bayview Creek Inc. dated November 23, 2020 | 605-634 |
| ZZ | Exhibit “ZZ” - | Endorsement of Justice Cavanagh dated December 22, 2020 | 635-636 |
| AAA | Exhibit “AAA” - | Endorsement of Justice Cavanagh dated January 12, 2021 | 637-658 |
| BBB | Exhibit “BBB” - | Order of Justice Cavanagh dated February 15, 2021 | 659-665 |
| CCC | Exhibit “CCC” - | Notice of appeal dated January 22, 2021 | 666-677 |
| DDD | Exhibit “DDD” - | Court of Appeal endorsement dated March 19, 2021 | 678-680 |
| EEE | Exhibit “EEE” - | Order dismissing appeal for delay dated April 14, 2021 | 681 |

| | | | |
|------------|-----------------|---|---------|
| FFF | Exhibit “FFF” - | Application for bankruptcy order – Bayview Creek (CIM) LP | 682-684 |
| GGG | Exhibit “GGG” - | Application for bankruptcy order – 10502715 Canada Inc. | 685-687 |
| HHH | Exhibit “HHH” - | Amended notice of application of Bryton Capital Corp. GP Ltd. | 688-695 |
| III | Exhibit “III” - | Draft notice of application of GR (CAN) Investment Co. Ltd. | 696-703 |
| JJJ | Exhibit “JJJ” - | Email #1 from Lawrence Hansen re DUCA working with Bryton dated December 5, 2020 | 704-705 |
| KKK | Exhibit “KKK” - | Email #2 from Lawrence Hansen re DUCA working with Bryton dated December 5, 2020 | 706-707 |
| LLL | Exhibit “LLL” - | Letter from Bryton Capital Corp. GP Ltd. dated April 12, 2021 re. appointment of RSM Canada Limited as receiver | 708-709 |
| MMM | Exhibit “MMM” - | Emails from Lawrence Hansen to Robert Choi & Alex Ilchenko dated May 25, 2021 | 710-712 |
| NNN | Exhibit “NNN” - | Trustee’s Preliminary Report – In the matter of the bankruptcies of 10502715 Canada Inc. and Bayview Creek (CIM) LP | 713-716 |
| OOO | Exhibit “OOO” - | Emails from Lawrence Hansen to MNP Ltd. dated May 21, 25 and 31, 2021 | 717-721 |
| PPP | Exhibit “PPP” - | YorkRegion.com article – ‘It’s literally a dump’: Richmond Hill residents frustrated by garbage piling up at vacant lot | 722-723 |
| QQQ | Exhibit “QQQ” - | Possession letter from Robert Choi to parties dated May 31, 2021 | 724-729 |
| RRR | Exhibit “RRR” - | Letter from Lawrence Hansen to Robert Choi dated June 10, 2021 | 730-731 |
| SSS | Exhibit “SSS” - | Letter from Robert Choi to Lawrence Hansen dated June 17, 2021 | 732-757 |
| TTT | Exhibit “TTT” - | Letter from Lawrence Hansen to Robert Choi dated June 22, 2021 | 758-760 |

| | | | |
|-------------|------------------|--|---------|
| UUU | Exhibit “UUU” - | Email from Robert Choi to Lawrence Hansen dated June 22, 2021 | 761-762 |
| VVV | Exhibit “VVV” - | Email exchange between Robert Choi and Lawrence Hansen dated June 28, 2021 | 763-765 |
| WWW | Exhibit “WWW” - | Consent to Receivership Order | 766-767 |
| XXX | Exhibit “XXX” - | Consent to Act of msi Spergel | 768 |
| YYY | Exhibit “YYY” - | Notice of Option to Purchase registered June 17, 2019 | 769-789 |
| ZZZ | Exhibit “ZZZ” - | Amendment to Option Agreement dated July 1, 2020 | 790-796 |
| AAAA | Exhibit “AAAA” - | PPSA search results for the respondents | 797-820 |
| BBBB | Exhibit “BBBB” - | Writ Clear Certificate | 821-822 |

TAB HH



DEVRY SMITH FRANK *LLP*
Lawyers & Mediators

Oren.Chaimovitch@devrylaw.ca

June 10, 2020

VIA REGISTERED AND REGULAR MAIL

Bayview Creek (CIM) LP
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

CIM Invests Development Inc.
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

CIM Bayview Creek Inc.
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

Dear Sirs:

Re: DUCA Financial Services Credit Union Ltd. (“DUCA”) loan to Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (collectively, the “Debtors”), secured, inter alia, by a charge over 10747 Bayview Avenue, Richmond Hill

We act as solicitors for DUCA Financial Services Credit Union Ltd. (“DUCA”). According to our client’s records, you are jointly and severally indebted to DUCA as of June 9, 2020 in the principal amount of \$20,720,000.00 with accrued interest thereon in the amount of \$38,374.58, a discharge fee of \$1,000.00, a PPSA registration and discharge fee of \$130.00, an appraisal fee of \$27,585.56, unrecovered legal fees of \$5,133.84 and an interest reserve of \$23,890.25 for a total amount owing as at June 9, 2020 of \$20,768,333.73.

Interest continues to accrue from June 9, 2020 to the date of payment at DUCA’s prime rate of interest in effect from time to time plus 5.5% per annum, which as of today’s date is equal to \$4,796.82 per day.

Your indebtedness to DUCA is secured, *inter alia*, by a General Security Agreement dated May 13, 2016, as well as a Charge/Mortgage of Land registered in the Land Registry Office for the Land Titles Division of York Region (No. 65) on May 18, 2016, as Instrument No. YR2473036 on the property municipally known as 10747 Bayview Avenue, Richmond Hill, Ontario.

You are in default under your obligations to DUCA. We hereby demand payment of your indebtedness to our client. Unless payment of the total sum owing as aforesaid together with additional interest accrued and legal costs actually incurred to the date of payment or other satisfactory arrangements therefor are made within 15 days from the date thereof, DUCA shall take such steps as it deems necessary or desirable to recover payment of your indebtedness in full without further demand upon or notice to you. Such proceedings may include enforcement of DUCA's security.

Enclosed please find our client's Notice of Intention to Enforce Security which is served upon you pursuant to section 244(1) of the *Bankruptcy and Insolvency Act*, as well as notice being provided to you pursuant to Section 63(4) of the *Personal Property Security Act*, R.S.O. 1990, as amended.

Govern yourself accordingly.

Yours truly,

DEVRY SMITH FRANK LLP

A handwritten signature in black ink, appearing to read 'Oren Chaimovitch', with a stylized flourish at the end.

Oren Chaimovitch (Devry)
OHC:tm

Encl.

NOTICE OF INTENTION TO ENFORCE SECURITY
Bankruptcy and Insolvency Act (Canada)
(Subsection 244(1))

TO: Those persons set forth in Schedule "A" annexed hereto (the "Debtors"), each an insolvent person

Take Notice That:

1. DUCA FINANCIAL SERVICES CREDIT UNION LTD. ("DUCA"), a secured creditor, intends to enforce its security on the property of the above-mentioned insolvent person. The property is described as a collateral Charge/Mortgage given in support of the debts and obligations of the Debtors.
2. The security that is to be enforced is in the form of the following (the "Security"):
 - (a) a General Security Agreement dated May 13, 2016 in respect of which a financing statement was registered under the Personal Property Security Act (Ontario); and
 - (b) a Collateral Charge/Mortgage registered on May 18, 2016 in the Land Registry Office for the Land Titles Division of York Region (No. 65) as Instrument No. YR2473036 made by CIM Invests Development Inc. as Chargor(s), in favour of DUCA.
3. The total amount of indebtedness secured by the Security is \$20,768,333.73, inclusive of principal and interest to June 9, 2020, plus costs and further interest accruing to the date of payment at DUCA's prime rate of interest in effect from time to time plus 5.5% per annum, which as of today's date is equal to \$4,796.82 per day.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 15 day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

DATED at Toronto, Ontario, this 10th day of June, 2020.

DUCA FINANCIAL SERVICES CREDIT UNION
 LTD. by its solicitors
 DEVRY, SMITH & FRANK LLP
 95 Barber Greene Road, Suite 100
 Toronto, Ontario M3C 3E9



Per: _____
OREN CHAIMOVITCH

SCHEDULE "A"

Bayview Creek (CIM) LP
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

CIM Invests Development Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

CIM Bayview Creek Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

**NOTICE PURSUANT TO SECTION 63(4) OF THE
PERSONAL PROPERTY SECURITY ACT**

TO: Those persons set forth in Schedule "A" annexed hereto

TAKE NOTICE that default has been made in the payment of monies secured under the following security agreement (the "Security") granted by Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (the "Debtors") to DUCA Financial Services Credit Union Ltd. ("DUCA"):

- (a) a General Security Agreement dated May 13, 2016 in respect of which a financing statement was registered under the Personal Property Security Act (Ontario).

The collateral covered by the Security comprises all the undertaking, property and assets of the Debtors. (the "Collateral").

AND TAKE NOTICE that DUCA intends to dispose of the Collateral unless redeemed.

1. The amount required to satisfy the obligations secured by the Security as at June 9, 2020 in the amount of \$20,768,333.73 as more particularly set forth in Schedule "B" hereto plus interest thereon from June 9, 2020 to the date of payment at DUCA's prime rate of interest in effect from time to time plus 5.5% per annum, which as of today's date is equal to \$4,796.82 per day.
2. The estimated expenses of DUCA in taking, holding, preparing for disposition and disposing of the Collateral is \$5,000.00.
3. Upon receipt of payment, the payer will be credited with any rebates or allowances to which the Debtors. may be entitled.
4. DUCA hereby gives you notice that upon payment of the amounts due as above-described together with additional interest accrued and expenses actually incurred to the date of payment you may redeem the Collateral.
5. Unless payment of the amounts due as above-described is received by the earlier of 15 days from the date you actually receive this notice or 25 days after this notice is served upon you by registered mail, DUCA will dispose of the Collateral by private sale, public tender, public auction or otherwise and the Debtors., as well as any other person liable for payment of the obligations secured will be liable for any deficiency.

This notice is given to you because you may have an interest in the Collateral and you may be entitled to redeem the same.

DATED at Toronto, Ontario, this 10th day of June, 2020

DUCA FINANCIAL SERVICES CREDIT
UNION LTD.

by its lawyers,

Messrs. Devry Smith Frank LLP
95 Barber Greene Road, Suite 100
Toronto, Ontario M3C 3E9



Per: _____

OREN CHAIMOVITCH

SCHEDULE "A"

Bayview Creek (CIM) LP
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

CIM Invests Development Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

CIM Bayview Creek Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9

Jiubin Feng
35 Penwood Crescent
Toronto, Ontario
M3B 3B1

Dianyuan Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7

Xiaoxin Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7

Romspen Investment Corporation
162 Cumberland Street, Suite 300
Toronto, ON M5R 3N5

Bryton Capital Corp. GP Ltd.
65 Queen Street West, Suite 210
Toronto ON M5H 2M5

GR (Can) Investment Co. Ltd.
4342 Queen Street, Suite 203
Niagara Falls, ON L2E 7J7

The Bank of Nova Scotia
4715 Tahoe Blvd
Mississauga, ON L4W 0B4

Mercedes-Benz Financial Services Canada Corporation
2680 Matheson Blvd. E. Ste 500
Mississauga, ON L4W 0A5

SCHEDULE “B”

| | |
|-------------------------------|----------------------|
| Principal | \$20,720,000.00 |
| Accrued Interest to June 9/20 | 38,374.58 |
| Discharge Fee | 1,000.00 |
| Registration Fee | 80.00 |
| PPSA Discharge Fee | 50.00 |
| Appraisal Costs | 27,585.56 |
| Unrecovered legal costs | 5,133.84 |
| Interest Reserve | <u>(\$23,890.25)</u> |
| | \$20,768,333.73 |
| per diem: | \$4,796.82 |



DEVRY SMITH FRANK *LLP*
Lawyers & Mediators

Oren.Chaimovitch@devrylaw.ca

June 10, 2020

VIA REGISTERED AND REGULAR MAIL

Jiubin Feng
35 Penwood Crescent
Toronto, Ontario
M3B 3B1

Dear Jiubin Feng:

Re: DUCA Financial Services Credit Union Ltd. (“DUCA”) loan to Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (collectively, the “Debtors”), secured, inter alia, by a charge over 10747 Bayview Avenue, Richmond Hill

We are the solicitors for DUCA Financial Services Credit Union Ltd. (“DUCA”).

Please find enclosed a copy of our letter dated June 10, 2020 to the Debtors demanding payment of its indebtedness and liabilities to DUCA. We also enclose with this correspondence the Notice of Sale pursuant to the *Personal Property Security Act* and Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act*.

Payment of all debts and liabilities owing by the Debtors were guaranteed by you pursuant to a Guarantee dated May 13, 2016 (the “Guarantee”). You are personally responsible to pay under the said Guarantee the amount of \$20,720,000.00, the accrued interest thereon in the amount of \$38,374.58, the discharge fee of \$1,000.00, a PPSA registration and discharge fee of \$130.00, an appraisal fee of \$27,585.56, unrecovered legal fees of \$5,133.84 and interest to today’s date of \$4,796.82 and together with interest thereon at DUCA’s prime rate in effect from time to time plus 5.5% per annum from the date of the demand for payment, which as of today’s date is equal to \$4,796.82 per day.

We hereby demand payment under your Guarantee as well as legal fees incurred to date.

Please be advised that unless payment or satisfactory arrangements therefor are made within 10 days from the date of this correspondence, DUCA shall take such steps as it deems necessary or desirable in order to recover payment under your Guarantee without demand upon or notice to you.

Please govern yourself accordingly.

Yours truly,

DEVRY SMITH FRANK *LLP*

A handwritten signature in black ink, appearing to be 'Oren Chaimovitch', written in a cursive style.

Oren Chaimovitch (Devry)
OHC:tm



DEVRY SMITH FRANK *LLP*
Lawyers & Mediators

Oren.Chaimovitch@devrylaw.ca

June 10, 2020

VIA REGISTERED AND REGULAR MAIL

Dianyuan Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7

Dear Dianyuan Zhang:

Re: DUCA Financial Services Credit Union Ltd. (“DUCA”) loan to Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (collectively, the “Debtors”), secured, inter alia, by a charge over 10747 Bayview Avenue, Richmond Hill

We are the solicitors for DUCA Financial Services Credit Union Ltd. (“DUCA”).

Please find enclosed a copy of our letter dated June 10, 2020 to the Debtors demanding payment of its indebtedness and liabilities to DUCA. We also enclose with this correspondence the Notice of Sale pursuant to the *Personal Property Security Act* and Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act*.

Payment of all debts and liabilities owing by the Debtors were guaranteed by you pursuant to a Guarantee dated May 13, 2016 (the “Guarantee”). You are personally responsible to pay under the said Guarantee the amount of \$20,720,000.00, the accrued interest thereon in the amount of \$38,374.58, the discharge fee of \$1,000.00, a PPSA registration and discharge fee of \$130.00, an appraisal fee of \$27,585.56, unrecovered legal fees of \$5,133.84 and interest to today’s date of \$4,796.82 and together with interest thereon at DUCA’s prime rate in effect from time to time plus 5.5% per annum from the date of the demand for payment, which as of today’s date is equal to \$4,796.82 per day.

We hereby demand payment under your Guarantee as well as legal fees incurred to date.

Please be advised that unless payment or satisfactory arrangements therefor are made within 10 days from the date of this correspondence, DUCA shall take such steps as it deems necessary or desirable in order to recover payment under your Guarantee without demand upon or notice to you.

Please govern yourself accordingly.

Yours truly,

DEVRY SMITH FRANK *LLP*

A handwritten signature in black ink, appearing to read 'Oren Chaimovitch', with a stylized flourish at the end.

Oren Chaimovitch (Devry)
OHC:tm

encl.



DEVRY SMITH FRANK *LLP*
Lawyers & Mediators

Oren.Chaimovitch@devrylaw.ca

June 10, 2020

VIA REGISTERED AND REGULAR MAIL

Xiaoxin Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7

Dear Xiaoxin Zhang:

Re: DUCA Financial Services Credit Union Ltd. (“DUCA”) loan to Bayview Creek(CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (collectively, the “Debtors”), secured, inter alia, by a charge over 10747 Bayview Avenue, Richmond Hill

We are the solicitors for DUCA Financial Services Credit Union Ltd. (“DUCA”).

Please find enclosed a copy of our letter dated June 10, 2020 to the Debtors demanding payment of its indebtedness and liabilities to DUCA. We also enclose with this correspondence the Notice of Sale pursuant to the *Personal Property Security Act* and Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act*.

Payment of all debts and liabilities owing by the Debtors were guaranteed by you pursuant to a Guarantee dated May 13, 2016 (the “Guarantee”). You are personally responsible to pay under the said Guarantee the amount of \$20,720,000.00, the accrued interest thereon in the amount of \$38,374.58, the discharge fee of \$1,000.00, a PPSA registration and discharge fee of \$130.00, an appraisal fee of \$27,585.56, unrecovered legal fees of \$5,133.84 and interest to today’s date of \$4,796.82 and together with interest thereon at DUCA’s prime rate in effect from time to time plus 5.5% per annum from the date of the demand for payment, which as of today’s date is equal to \$4,796.82 per day.

We hereby demand payment under your Guarantee as well as legal fees incurred to date.

Please be advised that unless payment or satisfactory arrangements therefor are made within 10 days from the date of this correspondence, DUCA shall take such steps as it deems necessary or desirable in order to recover payment under your Guarantee without demand upon or notice to you.

Please govern yourself accordingly.

Yours truly,

DEVRY SMITH FRANK *LLP*

A handwritten signature in black ink, appearing to read 'Oren Chaimovitch', with a stylized flourish at the end.

Oren Chaimovitch (Devry)

OHC:tm

TAB II

EXHIBIT "II"**NOTICE OF SALE UNDER CHARGE**

TO: SEE SCHEDULE "A" ATTACHED

TAKE NOTICE that default has been made in payment of monies due under a certain Charge made between DUCA FINANCIAL SERVICES CREDIT UNION LTD. as Chargee and CIM INVESTS DEVELOPMENT INC., as Chargor upon the following property, namely:

PT LT 25, CON 2, (MKM), PTS 1 & 2, PL65R31680; TOWN OF RICHMOND HILL
Municipally known as 10747 Bayview Avenue, Richmond Hill, Ontario

(the "Charge") which Charge was registered on May 18, 2016 in the Land Registry Office for the Land Titles Division of York Region (No. 65) as Instrument Number YR2473036 and which Charge was assumed by CIM BAYVIEW CREEK INC.

AND DUCA FINANCIAL SERVICES CREDIT UNION LTD. hereby gives you notice that the amounts due on the Charge for principal money, interest, costs and the other items hereinafter shown, respectively are as follows:

| | |
|---|-----------------|
| (a) Principal balance | \$20,720,000.00 |
| (b) Interest to June 23, 2020 | 105,530.06 |
| (c) Mortgage Discharge Fee | 1,000.00 |
| (d) Appraisal costs incurred | 27,585.56 |
| (f) PPSA registration and Discharge Fee | 130.00 |
| (e) Unrecovered Legal Costs | 5,133.84 |
| (f) Additional Legal Fees/disb incurred, including in forwarding this notice (including HST) | <u>5,815.51</u> |
| Total Due | \$20,865,194.97 |
| E.&O.E. | |

(such amount for costs being up to and including the service of this Notice only, and thereafter, such further costs and disbursements will be charged as may be proper),

together with interest at the Chargee's prime rate of interest in effect from time to time plus 5.5% per annum, and interest on overdue interest, at the same rate, calculated and payable in the same way, on the principal, interest and costs hereinbefore mentioned, from June 23, 2020 to the date of payment.

AND unless the said sums are paid on or before July 30, 2020, DUCA FINANCIAL SERVICES CREDIT UNION LTD. shall sell the property covered by the said Charge under the provisions contained in it.

THIS NOTICE is given to you as you appear to have an interest in the charged property and may be entitled to redeem the same.

DATED at Toronto, this 23rd day of June, 2020.

DUCA FINANCIAL SERVICES CREDIT
UNION LTD. by its solicitors,
DEVRY SMITH FRANK LLP



REPLY TO: Devry Smith Frank LLP
100-95 Barber Greene Road
Toronto, ON M3C 3E9
Att'n Oren Chaimovitch (416) 446-3342

SCHEDULE "A"

- To: CIM INVESTS DEVELOPMENT INC.
9140 Leslie Street
Unit 310
Richmond Hill, Ontario
L4B 0A9
- To: CIM INVESTS DEVELOPMENT INC.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9
- To: Bayview Creek (CIM) LP
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9
- To: CIM Invests Development Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9
- To: CIM Bayview Creek Inc.
502-55 Commerce Valley Drive West
Markham, Ontario
L3T 7V9
- To: Xiaoxin Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7
- To: Jiubin Feng
35 Penwood Crescent
Toronto, Ontario
M3B 3B1
- To: Dianyuan Zhang
5 Fairfield Place
Thornhill, Ontario
L3T 7M7
- To: Bryton Capital Corp. GP Ltd.
65 Queen Street West, Suite 210
Toronto ON M5H 2M5
- To: Bryton Creek Residences Inc.
65 Queen Street West, Suite 210
Toronto ON M5H 2M5

TAB JJ

EXHIBIT "JJ"



DEVRY SMITH FRANK *LLP*
Lawyers & Mediators

Oren Chaimovitch@devrylaw.ca

July 24, 2020 (REVISED)

Bayview Creek (CIM) LP
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

CIM Invests Development Inc.
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

CIM Bayview Creek Inc.
502-55 Commerce Valley Drive West
Markham, ON L3T 7V9

Xiaoxin Zhang
5 Fairfield Place
Thornhill, Ontario L3T 7M7

Jiubin Feng
35 Penwood Crescent
Toronto, Ontario M3B 3B1

Dianyuan Zhang
5 Fairfield Place
Thornhill, Ontario L3T 7M7

Dear Sirs:

Re: DUCA Financial Services Credit Union Ltd. (the "Lender" or "DUCA"), credit facility in favour of Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc. (collectively, the "Borrower") secured, *inter alia*, by a Charge/Mortgage of Land registered in the Land Registry Office for the Land Titles Division of York Region (No. 65) on May 18, 2016, as Instrument No. YR2473036 (the "Charge") on the property municipally known as 10747 Bayview Avenue, Richmond Hill, Ontario (the "Property")

This letter replaces our letters of March 17, 2020 and May 27, 2020, which were not accepted by you and are withdrawn.

As you know, we are solicitors for DUCA Financial Services Credit Union Ltd. We make reference to the commitment letter entered into among DUCA Financial Services Credit Union Ltd., Bayview Creek (CIM) LP by its general partner, CIM Invests Development Inc., and Jiubin Feng, Dianyuan Zheng and Xiaoxin Zhang (collectively, the "**Guarantors**") dated April 15, 2016, as amended by letter agreements dated April 12, 2017, April 26, 2018 and June 14, 2018, and our forbearance letters of March 6, 2019, and April 18, 2019 as replaced by a letter agreement dated May 22, 2019 (collectively referred to as the "**Commitment**"). All capitalized terms used herein shall have the meanings ascribed thereto in the Commitment unless otherwise indicated.

The Lender is prepared to consent to the increase of the existing second mortgage on the Property in favour of Bryton Capital Corp. GP Ltd. from \$20,000,000 to \$22,300,000 (the "**Further Financing**") and to forebear from enforcing the Security and Charge until the earlier of (i) the occurrence of a further event of Default (which includes the events of Default as defined in the Commitment as well as any non-compliance with your obligations hereunder); and (ii) September 30, 2020 (which shall hereinafter be referred to the "**Forbearance Deadline**" (which replaces the definition of Forbearance Deadline in the letter of May 22, 2019), and the period until the Forbearance Deadline is sometimes referred to as the "**Forbearance Period**" (which replaces the definition of Forbearance Period in the letter of May 22, 2019) on the following basis:

1. You shall pay the Lender within one business day of the advance of the Further Financing by Bryton Capital Corp. GP Ltd., but in any event by no later than August 7, 2020:
 - a. a forbearance fee of \$60,000.00 (the "**Forbearance Fee**"). The Forbearance Fee is payable in addition to the regular interest and other amounts payable under the Commitment;
 - b. the amount of \$20,000.00, to be applied towards payment of legal costs incurred by the Lender;
 - c. the amount of \$27,585.56, to be applied towards payment of appraisal costs incurred by the Lender;
 - d. the amount of \$565,000.00 to be added to the Interest Reserve to be applied as payment towards interest payable to the Lender;
2. You are to continue to provide DUCA with written progress reports on the severance process at 2 month intervals;
3. You are to otherwise comply with all of your obligations to the Lender set out in the Commitment and the Security save and except as may be provided herein. Further, you are to ensure that all encumbrances registered against the Property, including those that rank behind DUCA's Charge, are kept in good standing and that no enforcement proceeding are taken by any other chargee of the Property;

4. You are to provide DUCA, contemporaneously with the delivery of this agreement, a written consent (the "Consent") to a court-appointed receiver to be obtained without notice to you in the form of the Model Receivership Order of the Superior Court of Justice's Commercial List, in the form attached hereto as Schedule A. DUCA will hold the Consent in escrow, subject to the terms referred to below;
5. By signing below, you acknowledge and agree that:
 - a. events of Default have occurred and are continuing and we have demanded repayment of your indebtedness to the Lender and issued a Notice of Sale under the Charge;
 - b. you have received the demand letters (the "**Demands**") and the Notice of Intention to Enforce Security (the "**Notice**") issued by Devry Smith Frank LLP dated June 10, 2020 and the Notice of Sale under Mortgage (the "**Notice of Sale**") dated June 23, 2020. You agree that the issuance of Demands, the Notice and the Notice of Sale and their delivery were proper in all respects, the Indebtedness as set out therein is correct and that the Demands and the Notice have not been withdrawn but remain and will continue to remain in full force and effect. Upon acceptance of agreement formed by this letter and the receipt within the time allowed therefor of the funds referred to in paragraph 1 above and the Consent referred to in paragraph 4 above, the Notice of Sale shall be withdrawn. If an additional event of Default occurs under the Commitment or you default in your obligations hereunder, the Lender shall be permitted to use and rely on the Demands and the Notice and shall not be required to issue a fresh demand for payment or Notice of Intention to Enforce Security prior to enforcing its Security.
 - c. Each of you hereby waives any rights to have any of the Indebtedness waived or the costs included therein assessed;
 - d. You continue to have no defences, counterclaims or claims against DUCA, or rights of set off or reduction against the Indebtedness (or to enforcement of the Security) whatsoever and all such defences, counterclaims, claims or set off rights are expressly waived. Without limitation, you hereby release and discharge DUCA and its respective officers, directors, employees and agents from and against all claims and demands in respect of any actual or alleged action or omission of DUCA arising up to and including the date of this agreement;
 - e. None of the rights and remedies under the Commitment and/or the Security and none of the existing events of Default are waived or shall be deemed to be waived by the agreement formed by this letter. However, the Lender will agree to take no further steps in enforcement of its rights and remedies under the Security during the Forbearance Period, provided no further events of Default occur, the terms hereof are complied with, and the conditions to forbearance set out herein are met. If a further Default does occur, or the terms hereof are not complied with, or the condition to forbearance are not met, or if the Lender in its discretion believes its Security is in jeopardy, the full amount of the Indebtedness shall immediately become due and payable and the Lender may immediately and without further notice to you exercise

any or all of its rights, including enforcing the Security, and DUCA may immediately appoint a receiver at its discretion in accordance with the Consent attached hereto.

6. All of the Indebtedness (which when used herein means the Credit Facility and all fees, costs, interest and other amounts which may be owing to the Lender in accordance with the Commitment and Security) will be paid in full by the Forbearance Deadline. At that time, any additional legal costs incurred or amounts not paid in accordance with the terms of this letter shall be paid in full.
7. The agreement formed by this letter be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The Borrower and Guarantors irrevocably submit to the non-exclusive jurisdiction of the courts of such Province and acknowledge the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.
8. The agreement formed by this letter is supplemental to and shall be read with and be deemed to be part of the Commitment and the Security, which shall be deemed to be amended *mutatis mutandis* as herein provided. Any reference to the Commitment or the Security in any agreements or documents entered into in connection with the Commitment or the Security shall mean the Commitment and the Security as amended hereby and all such agreements and documents are also hereby amended *pro tanto* to give effect to the agreement formed by this letter. All the terms and conditions of the Commitment and the Security, except insofar as the same are amended by the express provisions of the agreement formed by this letter, are confirmed and ratified in all respects, shall survive and shall not merge with or be extinguished by the execution and delivery of the agreement formed by this letter and shall hereafter continue in full force and effect, as amended.
9. The agreement formed by this letter may be executed in any number of separate counterparts by any one or more of the parties hereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of the agreement formed by this letter by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterparts.

The above offer is open for acceptance until July 31, 2020 at 1 pm unless earlier withdrawn. We require you to acknowledge acceptance by signing this letter in the space indicated below, and returning it to our office by that time along the Consent.

Yours truly,

DEVRY SMITH FRANK LLP



Oren Chaimovitch
/ohc

We hereby accept the above terms and conditions this _____ day of _____, 2020

**BAYVIEW CREEK (CIM) LP, by its general partner,
CIM INVESTS DEVELOPMENT INC.**

Per: 

Jiubin Feng - President

I have authority to bind the Corporation

CIM INVESTS DEVELOPMENT INC.

Per: 

Jiubin Feng - President

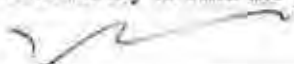
I have authority to bind the Corporation

CIM BAYVIEW CREEK INC.

Per: 

Jiubin Feng - President

I have authority to bind the Corporation


Jiubin Feng



Dianyuan Zhang


Xiaoxin Zhang

Schedule A

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

BETWEEN:

DUCA FINANCIAL SERVICES CREDIT UNION LTD.

Applicant

and

BAYVIEW CREEK (CIM) LP, CIM INVESTS DEVELOPMENT INC. and CIM BAYVIEW CREEK INC.

Respondents


CONSENT TO RECEIVERSHIP ORDER

THE RESPONDENTS, Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc., and the Applicant, DUCA Financial Services Credit Union Ltd., hereby consent to an Order for the appointment of a Receiver against them and of all of their assets, undertakings and properties of in the form of the Model Receivership Order of the Ontario Superior court of Justice Commercial List as amended from time to time, with such revisions as may be necessary and appropriate.

THE RESPONDENTS, Bayview Creek (CIM) LP, CIM Invests Development Inc. and CIM Bayview Creek Inc., and the Applicant, DUCA Financial Services Credit Union Ltd., certify that this Order does not affect the rights of any party under a disability.

Date: July , 2020

BAYVIEW CREEK (CIM) LP

Per: 
 Name:
 (I have the authority to bind the company)

Date: July , 2020

CIM INVESTS DEVELOPMENT INC.

Per: 

Name:

(I have the authority to bind the company)

Date: July , 2020

CIM BAYVIEW CREEK INC.

Per: 

Name:

(I have the authority to bind the company)

Date: July , 2020

DUCA FINANCIAL SERVICES CREDIT
UNION LTD.

Per: _____

Name:

(I have the authority to bind the company)

TAB KK

EXHIBIT "KK"



Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

THE HONOURABLE
JUSTICE SCHABAS

FRIDAY THE 18th DAY

OF SEPTEMBER 2020

BETWEEN:

TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)

Plaintiffs / Moving Parties

and

CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO

Defendants / Responding Parties

ORDER

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to sections 101 and 103 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CIA") to (i) issue and register a Certificate of Pending Litigation, (ii) appoint a receiver and (iii) grant an injunction against the Defendants was heard this day by conference call in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto and on reading the Notice of Action,

1. THIS COURT ORDERS that the Plaintiffs' motion is hereby granted.
2. THIS COURT ORDERS that a Certificate of Pending Litigation in the form attached hereto as Schedule "A" shall be issued and registered against title to the lands and premises legally and municipally described pursuant to section 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43 and Rule 42 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.
3. THIS COURT ORDERS that an interim injunction for 10 days from the date of this Order shall be granted, preventing the sale of the real property as described in Schedule "A" hereto;
4. THIS COURT ORDERS that an interim order preventing CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP, their servants, employees, agents, assigns, officers, directors and/or anyone else acting on its behalf or in conjunction with it, and any and all persons with notice of this order, from either directly or indirectly, by any means whatsoever from:
 - (i) Selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with or disposing of any assets of CIM Bayview Creek Inc. as described in Schedule "A" hereto;
 - (ii) Instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
 - (iii) Facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

5. THIS COURT ORDERS that the prohibition set out above in paragraph 4 applies to CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP assets, whether in the Defendants' own names or not, and whether solely or jointly owned, including but not limited to:
- (i) any bank, investment or other account at any bank, financial or other institution;
 - (ii) any motor vehicle, trailer to other vehicle registered to the Defendants;
 - (iii) any real property in which the Defendants have any interest, including the real property;
 - (iv) any and all other personal property of any description whatsoever; and
 - (v) any and all share certificates, negotiable instruments and the like.
6. THIS COURT ORDERS that CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP shall forthwith deliver to counsel for the Plaintiffs sworn evidence of the nature and location of all their assets, wheresoever located, including assets held on their behalf or in trust for them, assets held jointly with some other party, assets in which they hold any interest and assets that they hold in trust for any party.
7. THIS COURT ORDERS that a Receiver shall be appointed pursuant to section 101 of the CJA and in the form attached hereto as Schedule "B".

8. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order, shall be reserved pending judgment in this proceeding or further Order of the Court.
9. THIS COURT ORDERS this matter including consideration of this Order be returnable at 10 a.m. on September 28, 2020, before this Court.
10. THIS COURT ORDERS, that notwithstanding rule 59.05, this Order is effective from the date it is signed and is enforceable without any need for entry and filing.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 18 2020



Paul Schabas J.

PER / PAR: 

-5-

SCHEDULE "A"

Court File No.: CV-20-000647366-0000

ONTARIO**SUPERIOR COURT OF JUSTICE****BETWEEN:***(court seal)*

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants

CERTIFICATE OF PENDING LITIGATION

I CERTIFY that in this proceeding an interest in the following land is in question:

Property Identifier Number: 03186-4757 (LT)

PT LT 25, CON 2, (MKM) , PTS 1 & 2, PL 65R31680, S/T EASEMENT OVER PART 2,
65R13270 AS IN R510790

This certificate is issued under an order of the court made on September , 2020.

Date

Issued by

Local registrar

Address of
court office

.....

TRACY HUI et al.
Plaintiffs

-and-

CIM INTERNATIONAL GROUP INC. et al.
Defendants

Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

**CERTIFICATE OF PENDING
LITIGATION**

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiti Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs

TRACY HUI et al.
Plaintiffs / Moving Parties

and CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

TAB LL

EXHIBIT "LL"**SCHEDULE "B"***Court File No.: CV-20-000647366-0000***ONTARIO****SUPERIOR COURT OF JUSTICE****THE HONOURABLE
JUSTICE SCHABAS**)
)
)
)**FRIDAY THE 18TH DAY OF****SEPTEMBER 2020****BETWEEN:****TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)***Plaintiffs / Moving Parties***and****CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO***Defendants / Responding Parties***ORDER****(Appointing Investigative Receiver)**

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA") appointing Albert Gelman Inc. ("AGI") as investigative receiver (the "Receiver") over the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP, on the terms set out below, was heard this day by Teleconference in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto, and on hearing the submissions of counsel for the Plaintiff and on reading the consent of AGI to act as Receiver,

APPOINTMENT

1. THIS COURT ORDERS that pursuant to section 101 of the CJA, AGI is hereby appointed Investigative Receiver with only the powers granted below of the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP (the "Companies") pending further order of the court.

RECEIVER NOT IN POSSESSION OF ASSETS

2. THIS COURT ORDERS that the Companies shall remain in possession of its current and future assets, and undertakings and properties of every nature and kind whatsoever (collectively the "Property") and wherever situated including proceedings thereof.
3. THIS COURT ORDERS that at subject to further Order of this Court, the Companies shall continue to carry on its business and affairs consistent with its obligations to estate creditors and beneficiaries, if any.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver be and is hereby empowered and authorized, but not obligated, to act at once, without in any way limiting the generality of the foregoing, to do any of the following where the Receiver considers it necessary or desirable:
 - (a) To obtain all information whether in paper format or in digital format, both foreign or domestic (for further clarity, both within and outside of Canada and in all other jurisdictions), relating to the business, affairs, records, and all assets and property of the Companies (the "Information"), without limitation, from (i) the Companies and all of their

current and former directors, officers, employees, agents, accountants, shareholders, banks and financial institutions or brokerages, all officers or employees of such banks, financial institutions or brokerages who have access to the Information, and all other persons acting on their instructions or behalf with the exception of legal counsel, and (ii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this order, save and except for the Plaintiffs (all the foregoing each being a "Person, save and except for the Plaintiffs; to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (c) to report to, meet with and discuss with any and all Persons, including counsel for the Plaintiffs, as the Receiver deems appropriate on all matters relating to the Companies and investigative receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (d) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (e) to conduct examinations under oath of all the Defendants and their financial advisors, provided proper notice as stipulated under the *Rules of Civil Procedure*, is provided to the proposed party to be examined which examinations shall also serve as examinations for discovery in the within action;

- (f) and in each case where the receiver takes such action or steps, it shall be exclusively authorized and empowered to do so without interference from any other person including those defined herein as "Person".

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that all Persons (as that term is defined at sub-paragraph 4(a) above), including banks and financial institutions, shall forthwith advise the Receiver of the existence of any Information in such Person's possession or control and shall grant immediate and continued access to the Information to the Receiver.
6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, trusts, contracts, orders, accounting records, and any other papers, records, and information of any kind related to the business or affairs of the Companies, without limitation, any computer programs, computer tapes, computer disks, or other storage data containing any such information (the foregoing collectively the "Records") in that Person's possession or control, and shall provide to the Receiver unfettered access to and use of accounting, computer software and physical facilities relating hereto, including without limiting the generality of the foregoing, the delivery by such persons of all passwords required to access the Information and Records, which may not be disclosed or provided to the Receiver due to privilege attaching to solicitor-client communications or due to statutory provisions prohibiting such disclosure.
7. THIS COURT ORDERS that if any Information and Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Information and Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the Information and Records contained therein whether by way of printing the Information and Records onto paper or making copies of computer disks or a bitmap image or such other manner of retrieving and copying the Information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Information and Records without the prior written consent of the

Receiver. Further, for the purposes of this Paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the Information and Records as the Receiver may in its discretion require including providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the Information and Records.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any Court or tribunal shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

9. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part.

RECEIVER'S ACCOUNT

10. THIS COURT ORDERS that the Plaintiff shall be responsible for the costs of the Receiver costs and its counsel's accounts without prejudice to the Plaintiff seeking to have such costs paid by the Companies and/or by any and/or all of the Defendants in the event judgment is obtained against any and / or all of them or subject to any further Order of the court. The Plaintiff shall be responsible to pay the disbursement costs of the Defendants arising from their compliance with this Order provided that (i) the disbursement costs would not ordinarily be required to be paid by the Defendants under the Rules of Civil Procedure and (ii) that the Defendants advise the Plaintiffs through their counsel of the estimated cost of the disbursement prior to incurring it.

SERVICE AND NOTICE

11. THIS COURT ORDERS that the electronic service shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*.

GENERAL

12. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
13. THIS COURT ORDERS that either the Receiver or the Plaintiff may apply to the Court for an Order terminating the investigative receivership.
14. THIS COURT ORDERS that Hummingbird Lawyers LLP be and are hereby authorized to act as counsel for the Receiver in order to implement the Receiver's powers herein.
15. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Companies.
16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
17. THIS COURT ORDERS that the Receiver be at the liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

18. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order shall be reserved pending judgment in this proceeding or further Order of the Court.
19. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely affected by the order sought or upon such other notice, if any, as this Court may order.
20. THIS COURT ORDERS that notwithstanding paragraph 19, this matter including consideration of this Order shall be returnable at 10 a.m. on September 28, 2020, before this Court.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO.:

SEP 18 2020

PER / PAR



Paul Schabas J.

TRACY HUI et al.
Plaintiffs / Moving Parties

and
CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

TAB MM

EXHIBIT "MM"**Endorsement – September 18, 2020****Tracy Hui et al. v. CIM international Group et al., CV-20-00647366**

Jonathan Barr, for the plaintiffs

This motion for a Certificate of Pending Litigation, a Mareva injunction and the appointment of a Investigative Receiver, came before me by conference call this morning.

Mr Barr advised of recent developments arising from his contacts with the real estate agent and the lawyer for the defendants on the proposed sale of the Bayview property on September 17, 2020, including his notice to them of this motion, and specifically to the defendant Jerry Feng last night that this motion would be proceeding this morning and to provide contact information if he wished to participate. Mr Barr provided me with a chain of emails that were exchanged on September 17 documenting these contacts.

I am satisfied that interim orders should be made granting the relief sought by the plaintiffs, and have signed the orders which are effective immediately.

This matter shall be adjourned for further consideration by me to Monday September 28, 2020 at 10AM. Subject to any requests for an in-person hearing, the matter shall be heard by Zoom technology, and the coordinates for the hearing shall be provided by the Court in advance of the hearing. Should the defendants not have filed an appearance or response, the plaintiffs shall be responsible for advising the defendants of the Zoom coordinates for the return of the motion.



Paul Schabas J.

TAB NN

EXHIBIT "NN"



Court File No.: CV-20-000647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

(court seal)

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEI, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants

CERTIFICATE OF PENDING LITIGATION

I CERTIFY that in this proceeding an interest in the following land is in question:

Property Identifier Number: 03186-4737 (LT)

PT LT 25, CON 2, (MKM) , PTS 1 & 2, PL 65R31680. S/T EASEMENT OVER PART L
65R13270 AS IN R510790

This certificate is issued under an order of the court made on September 18, 2020.

Date September 18, 2020

Issued by G. Lukang
Local registrar

| | | |
|--------------|---------------------|---------------------|
| Address of | SUPERIOR COURT | COUR SUPÉRIEURE |
| court office | OF JUSTICE | DE JUSTICE |
| | 330 UNIVERSITY AVE. | 330 AVE. UNIVERSITY |
| | 8TH FLOOR | 8E ÉTAGE |
| | TORONTO, ONTARIO | TORONTO, ONTARIO |
| | M5G 1R7 | M5G 1R7 |

TRACY HUI et al.
Plaintiffs

-and-

CIM INTERNATIONAL GROUP INC. et al.
Defendants

Court File No.: CV-20-000647366-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

CERTIFICATE OF PENDING
LITIGATION

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911
Fax: 905-731-1913

Lawyers for the Plaintiffs

TAB OO

EXHIBIT "OO"

Court File No.: CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**TRACY HUI and JOJO HUI (Personally and Representing the Interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants

EX PARTE NOTICE OF MOTION

The Plaintiffs will make a Motion to a Judge on a date to be set by the Court at 9:30 a.m. or as soon after that time as the Motion can be heard, at the courthouse, 393 University Avenue, Toronto, Ontario M5G 1E6.

PROPOSED METHOD OF HEARING: The Motion is to be heard *(choose appropriate option)*

☐ in writing under subrule 37.12.1(1) because it is *(insert one of on consent, unopposed or made without notice)*;

☐ in writing as an opposed motion under subrule 37.12.1 (4);

☒ orally on an urgent basis

1. This Motion is For:

- (a) An order granting the Plaintiffs leave to have issued and registered a certificate of pending litigation in the within action, for registration against title to the lands and premises legally and municipally described in Schedule "A" attached hereto pursuant

to section 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43 and Rule 42 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.

- (b) An interim and permanent injunction preventing the sale of the real property as described in Schedule "A" hereto;
- (c) An interim order preventing CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc. and CIM Mackenzie Creek Inc., their servants, employees, agents, assigns, officers, directors and/or anyone else acting on its behalf or in conjunction with it, and any and all persons with notice of this order, from either directly or indirectly, by any means whatsoever from:
 - (i) Selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with or disposing of any assets of CIM Bayview Creek Inc. as described in Schedule "A" hereto;
 - (ii) Instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
 - (iii) Facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.
- (d) An order appointing an investigative receiver over the property and assets of CIM Group, CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP in the form attached as Schedule "B" hereto.

2. The Grounds For this Motion Are:

- (a) The Plaintiffs have a strong *prima facie* case against the Defendants.
- (b) The Plaintiffs are both holders of debentures issued by CIM International Group. Jojo Hui is the Chairperson of the Enforcement Committee of the Debenture holders which represents over sixty-six and two-thirds percent (66 2/3%) of the Three-Year Term Secured Redeemable Debenture Certificates (the "Debentures") issued by CIM International Group Inc. ("CIM Group").
- (c) The debentures were stated as being Three-Year Term Secured Redeemable Debentures (the "Debentures") issued by CIM Group, which would bear interest at the rate of 13.5% per annum payable semi-annually on June 15 and December 15 of each year.

- (d) The purpose of the Debentures, as it was explained to the Plaintiffs, was to fund CIM Group's Bayview Creek Project.
- (e) The Plaintiffs, in agreeing to purchase the Debentures, relied on the representations made by Jiubin Feng ("Feng") CEO of CIM Group and another Director of CIM Group, Robert Parent, as well as Amanda Zhao ("Zhao") of Gravitas Securities Inc. ("Gravitas")
- (f) The representations made by Feng and Zhao indicated that the \$10,000,000.00 raised by CIM Group in selling the Debentures would be used to provide a loan to Bayview Creek (CIM) LP to finance the Bayview Creek real estate project located at 10747 Bayview Avenue, Richmond Hill, Ontario (the "Bayview Property"). The Bayview Creek real estate project was also being undertaken by CIM controlled entities and directors and officers. The \$10,000,000 from the debenture holders would go to CIM Group Inc. who would then provide a \$10,000,000 loan to Bayview Creek (CIM) LP, which loan would bear interest at a rate of 20% per annum payable semi-annually for a term of 3 years. CIM Group would, thereafter, collect its 20% interest from Bayview Creek (CIM) LP or Bayview Creek Inc. and then pay the debenture holders their 13.5% interest payable under the debenture.
- (g) Further, the representations made by Feng and Zhao indicated that at the end, of the three-year term, Bayview Creek (CIM) LP would repay the \$10,000,000 loan back to CIM Group, who in turn would pay back the debenture holders their \$10,000,000. Furthermore, Feng and Zhao represented that the loan was to be secured by a mortgage in favour of the debenture holders should there be a default. The Plaintiffs were also informed that Bayview Creek (CIM) LP would agree not to permit any disposition of any interest in the Bayview Creek Property before the loan was fully repaid.
- (h) In addition to the actual interest in the Bayview Property that was promised, Feng and Zhao also represented that further security for the debentures would be in the shares that CIM Group held in another real estate project known as CIM Mackenzie Creek LP, as a form of backup security. The Mackenzie Creek project was further along than the Bayview Creek project in that Mackenzie Creek had already sold all units and was into the construction phase already. Therefore, it was represented that in the event that

there were any delays with the Bayview Creek project, the debenture holders would still get paid from proceeds of the Mackenzie Creek project.

- (i) Further, the Plaintiffs also relied on the marketing material provided by the Issuer including but not limited to CIM Group's Confidential Information Memorandum dated January 2018, which implied that the Debentures would be secured as against the assets of CIM Mackenzie Creek Inc. and the Bayview Property.
- (j) In addition to the oral representations made by Feng and Zhao the debenture holders were also provided with certain debenture marketing material. The marketing materials provided by Feng and Zhao indicated that the Debentures would be secured as against the assets of CIM Mackenzie Creek Inc. and the Bayview Property.
- (k) The representations as contained in the marketing material, and specifically the Term Sheet which formed part of the CIM Confidential Information Memorandum and the Subscription Agreement further provides that:
 - a) **Use of Proceeds:** The net proceeds of this Offering will be used by the Corporation as a loan (the "**Loan**") to Bayview Creek (CIM) LP (the "**Bayview Creek LP**") to finance the Bayview Creek real estate project located at 1047 Bayview Avenue, Richmond Hill, Ontario (the "**Property**"). The term of the Loan will be approximately three (3) years and the Loan will bear interest at a rate of 20.0% per annum payable semi-annually. The Loan will be secured by a covenant to provide a mortgage on the Property to secure the Loan in the event of a default of the Loan or an event of default under any mortgage on title to the Property. Bayview Creek LP will also covenant with the Corporation not to do any of the following without the written consent of the Corporation in its sole and absolute discretion:
 - (i) Permit any disposition of any interest in the Bayview Creek LP;
 - (ii) Consolidate, amalgamate or merge with any other person, enter into any reorganization or other transaction intended to effect or otherwise permit a change in the Bayview Creek LP's existing structure, liquidate, wind-up or dissolve itself or permit the same;
 - (iii) Make any distribution to the limited partners of Bayview Creek LP, including the payment of management fees, until the loan is paid;
 - (iv) Withdraw or permit the withdrawal of any equity from the development of the Property until the loan has been repaid; and
 - (v) Further encumber the property.

- (l) At some point between January and February 2018, Zhao and/or Feng represented that they were not able to add another mortgage charge to the Bayview Property because the mortgagee holding the first mortgage, Duca Financial Services Credit Union Ltd. ("Duca"), would not allow it. In order to address this problem, CIM Group, Feng and Zhao advised that they would include TSX Trust Company as regulators to ensure that no fraud or defaults occur with respect to the debentures. It was also explained that TSX Trust Company would be involved to protect the debenture holders and would monitor everything in relation to the debentures.
- (m) Despite the alleged inability to register a charge on the Bayview Property, the Plaintiffs were informed that this property still formed their main source of collateral.
- (n) The Plaintiffs relied on the representations made by Feng and Zhao and as contained in the Term Sheet in purchasing the debentures issued by CIM Group.
- (o) In accordance with the debenture certificates provided to the Plaintiffs upon acquiring the debentures, and as noted at paragraph (c) above, the first interest payment with respect to the debentures became due and payable on December 15, 2019.
- (p) CIM Group has failed to make any payments with respect to the debentures.
- (q) CIM breached the Debenture agreement in failing to pay the interest payment due to the holders of the debentures on or about December 15, 2019 ("Event of Default") and failing to make the Accelerated Payment, after being properly notified, of all principal and interest on all outstanding debentures due and payable forthwith upon the above noted Event of Default. The damages claim is still being quantified but it will be for at least \$10,000,000.00 plus the interest payments that would be due to the debenture holders pursuant to the Debenture Agreement.
- (r) The Plaintiffs have made several attempts to contact the Issuer and the Trustee, TSX Trust Company, to ascertain whether or when payments would be made but have received no positive response regarding this.
- (s) Not only have no payments been made with respect to the interest payments due but CIM Group has been delisted as a public company and the Plaintiffs understand that the assets of CIM Mackenzie Creek Inc. have been sold and that the Class A shares held in CIM Mackenzie Creek Inc. are essentially worthless.

- (t) There is a real risk that the assets owned by the Defendants, specifically the Bayview Property may be sold before judgment, likely to avoid payment to the Plaintiffs. The MLS# N4871301 indicates that the property is currently up for sale.
- (u) The Plaintiffs understand that the Bayview Property is now in the midst of a potential power of sale by the mortgagee and is scheduled to be sold on or about September 17, 2020.
- (v) The Bayview Property is owned by CIM Bayview Creek Inc. Jerry Feng is a Director of CIM Bayview Creek Inc., and was at all material times a Director and the CEO of CIM Group. Additionally, Jerry Feng was at all material times a Director of CIM Mackenzie Creek Inc. As such, CIM Group, CIM Bayview Creek Inc., and CIM Mackenzie Creek Inc. shared the same directing mind and were controlled by the same person at all material times.
- (w) Counsel for the Plaintiffs attempted to call CIM Group and fax correspondence to CIM Group on September 2, 2020; both its phone number and fax number were no longer in service.
- (x) Bryan Gelman of Albert Gelman Inc, the proposed Receiver, visited CIM Group's office location. The doors were locked and a notice of termination by the landlord was posted on the entrance.
- (y) The Plaintiffs state that a disposition of the Bayview Property is in breach of the terms of the provisions of the Term Sheet, which makes up part of the Subscription Agreement, as the loan has not been repaid and the property is about to be sold. As such the Plaintiffs are seeking an urgent certificate of pending litigation and injunction to prohibit the sale and permit the adjudication of this matter prior to any disposition of assets.
- (z) There is a serious issue to be tried concerning the interpretation of the debenture documentation, and the recovery of the Plaintiffs' (and all of the holders of debentures') initial principal amounts paid with respect to acquiring the Debentures and the interest currently owing thereon.
- (aa) The Plaintiffs state that should the Bayview Property be sold prior to the determination of the proceeding herein they will suffer irreparable harm as there will likely be insufficient assets against which they may enforce judgment.

- (bb) Sections 101 and 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43.
- (cc) Rules 1.03, 2.01, 14, 37.07(2), 40, 41.02, 42.01 and of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.
- (dd) Such further and other grounds as counsel may advise and this Honorable Court may permit.

3. The Following Documentary Evidence will be used at the hearing of this motion:

- (a) The Notice of Action issued on September 11, 2020;
- (b) The Affidavit of Jojo Hui, with exhibits attached, sworn on September 12, 2020;
- (c) The Undertaking of Jojo Hui executed on September 12, 2020;
- (b) Such further and other evidence as counsel may advise and this Honourable Court may permit.

Date: September 14, 2020

HUMMINGBIRD LAWYERS LLP

Suite 1401
80 Bloor Street West
Toronto, Ontario
M5S 2V1

Jonathan J. Barr (LSO# 52181S)
Amiri Dear (LSO# 68391T)

Telephone: (905) 731-1911
Fax: (905) 731-1913

Lawyers for the Moving Parties / Plaintiffs

SCHEDULE "A"

Property Identifier Number: 03186-4757 (LT)

PT LT 25, CON 2, (MKM) , PTS 1 & 2, PL 65R31680. S/T EASEMENT OVER PART 2,
65R13270 AS IN R510790

SCHEDULE "B"*Court File No.: CV-20-000647366-0000***ONTARIO
SUPERIOR COURT OF JUSTICE****BETWEEN:****TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants / Responding Parties

**ORDER
(Appointing Investigative Receiver)**

THIS MOTION made by the Plaintiffs for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA") appointing Albert Gelman Inc. ("AGI") as investigative receiver (the "Receiver") over the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP, on the terms set out below, was heard this day at ____ University Avenue, Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto and on hearing the submissions of counsel for the Plaintiff and on reading the consent of AGI to act as Receiver,

APPOINTMENT

1. THIS COURT ORDERS that pursuant to section 101 of the CJA, AGI is hereby appointed Investigative Receiver with only the powers granted below of the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP (the "Companies") pending further order of the court.

RECEIVER NOT IN POSSESSION OF ASSETS

2. THIS COURT ORDERS that the Companies shall remain in possession of its current and future assets, and undertakings and properties of every nature and kind whatsoever (collectively the "Property") and wherever situated including proceedings thereof.
3. THIS COURT ORDERS that at subject to further Order of this Court, the Companies shall continue to carry on its business and affairs consistent with its obligations to estate creditors and beneficiaries, if any.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver be and is hereby empowered and authorized, but not obligated, to act at once, without in any way limiting the generality of the foregoing, to do any of the following where the Receiver considers it necessary or desirable:
 - (a) To take all steps necessary to obtain all information whether in paper format or in digital format, both foreign or domestic (for further clarity, both within and outside of Canada and in all other jurisdictions), relating to the business, affairs, records, and all assets and property of the Companies (the "Information"), without limitation, from (i) the Companies and all of their current and former directors, officers, employees, agents, accountants, shareholders, banks and financial institutions or brokerages, all officers or employees of

such banks, financial institutions or brokerages who have access to the Information, and all other persons acting on their instructions or behalf with the exception of legal counsel, and (ii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this order, save and except for the Plaintiffs (all the foregoing each being a "Person, save and except for the Plaintiffs;

- (b) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (c) to report to, meet with and discuss with any and all Persons, including counsel for the Plaintiffs, as the Receiver deems appropriate on all matters relating to the Companies and investigative receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (d) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (e) to conduct examinations under oath of all the Defendants and their financial advisors, provided proper notice as stipulated under the *Rules of Civil Procedure*, is provided to the proposed party to be examined which examinations shall also serve as examinations for discovery in the within action;
- (f) and in each case where the receiver takes such action or steps, it shall be exclusively authorized and empowered to do so without interference from any other person including those defined herein as "Person".

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that all Persons (as that term is defined at sub-paragraph 4(a) above), including banks and financial institutions, shall forthwith advise the Receiver of the existence of any Information in such Person's possession or control and shall grant immediate and continued access to the Information to the Receiver.
6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, trusts, contracts, orders, accounting records, and any other papers, records, and information of any kind related to the business or affairs of the Companies, without limitation, any computer programs, computer tapes, computer disks, or other storage data containing any such information (the foregoing collectively the "Records") in that Person's possession or control, and shall provide to the Receiver unfettered access to and use of accounting, computer software and physical facilities relating hereto, including without limiting the generality of the foregoing, the delivery by such persons of all passwords required to access the Information and Records, which may not be disclosed or provided to the Receiver due to privilege attaching to solicitor-client communications or due to statutory provisions prohibiting such disclosure.
7. THIS COURT ORDERS that if any Information and Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Information and Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the Information and Records contained therein whether by way of printing the Information and Records onto paper or making copies of computer disks or a bitmap image or such other manner of retrieving and copying the Information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Information and Records without the prior written consent of the Receiver. Further, for the purposes of this Paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the Information and Records as the Receiver may in its discretion require including providing the Receiver with any and all access

codes, account names and account numbers that may be required to gain access to the Information and Records.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any Court or tribunal shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

9. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part.

RECEIVER'S ACCOUNT

10. THIS COURT ORDERS that the Plaintiff shall be responsible for the costs of the Receiver costs and its counsel's accounts without prejudice to the Plaintiff seeking to have such costs paid by the Companies and/or by any and/or all of the Defendants in the event judgment is obtained against any and / or all of them or subject to any further Order of the court. The Plaintiff shall be responsible to pay the disbursement costs of the Defendants arising from their compliance with this Order provided that (i) the disbursement costs would not ordinarily be required to be paid by the Defendants under the Rules of Civil Procedure and (ii) that the Defendants advise the Plaintiffs through their counsel of the estimated cost of the disbursement prior to incurring it.

SERVICE AND NOTICE

11. THIS COURT ORDERS that the electronic service shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*.

GENERAL

12. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
13. THIS COURT ORDERS that either the Receiver or the Plaintiff may apply to the Court for an Order terminating the investigative receivership.
14. THIS COURT ORDERS that Hummingbird Lawyers LLP be and are hereby authorized to act as counsel for the Receiver in order to implement the Receiver's powers herein.
15. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Companies.
16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
17. THIS COURT ORDERS that the Receiver be at the liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
18. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order shall be reserved pending judgment in this proceeding or further Order of the Court.

19. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely affected by the order sought or upon such other notice, if any, as this Court may order.
-

TRACY HUI et. al.

-and-

CIM INTERNATIONAL GROUP INC, et al.

Plaintiffs

Defendants

Court File No. CV-20-00647366-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911
Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

File No. 20-0458

TRACY HUI et. al. -and- CIM INTERNATIONAL GROUP INC. et al.

Plaintiffs

Defendants

Court File No. CV-20-00647366-0000

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

NOTICE OF MOTION

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911
Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

File No. 20-0458

TAB PP

EXHIBIT "PP"

Court File No.: CV-20-000647366-0000

ONTARIO**SUPERIOR COURT OF JUSTICE****THE HONOURABLE
JUSTICE SCHABAS**)
)
)
)
)**MONDAY THE 28TH DAY
OF SEPTEMBER, 2020****BETWEEN:****TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs / Moving Parties

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants / Responding Parties

ORDER

THIS MOTION, originally made *ex parte* by the Plaintiffs for an Order pursuant to sections 101 and 103 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA"), to (i) issue and register a Certificate of Pending Litigation, (ii) appoint a receiver and (iii) grant an injunction against the Defendants, and adjourned until today, as well as this motion brought by the defendant Bayview Creek (CIM) LP ("Bayview LP"), for, among other things, an Order setting

aside Orders made on September 18, 2020, for an interim injunction and the appointment of an Investigative Receiver, as well as for an Order for the discharge of the Certificate of Pending Litigation, were heard this day by video conference in Toronto, Ontario.

ON READING the Investigative Receiver's Interim Report dated September 25, 2020, the Affidavit of Amiri Moses Dear sworn September 24, 2020, the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto, and the Notice of Action issued September 11, 2020, as well as Bayview LP's Factum, Notice of Motion, and the Affidavits of Keely Yuan and Alexia Parente, both of which were sworn on September 25, 2020, filed, and on hearing submissions of counsel for the Plaintiffs, Bayview LP, as well as of the non-parties Bryton Capital Corp. and DUCA Financial Services Credit Union Ltd., no other parties appearing.

1. **THIS COURT ORDERS** that the Order of September 18, 2020, annexed hereto as Schedule "A", shall be extended to Tuesday, October 13, 2020.
2. **THIS COURT FURTHER ORDERS** that this matter shall be transferred to the Commercial List Court and counsel are directed to contact the Commercial List office immediately to obtain an appointment with a judge as soon as possible and in any event no later than October 13, 2020. At that appointment the continuation of the relief granted in the Order of September 18, 2020, may be addressed, and the parties shall be prepared to do so at that time, including having filed evidence on the issue. Should the mortgagees wish to take enforcement proceedings that should be done together with this proceeding so that all matters can be addressed by the same judge as efficiently as possible.

3. **THIS COURT FURTHER ORDERS** that Bayview LP's motion to set aside the Order of September 18, 2020 for a lack of full and fair disclosure is dismissed.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

OCT - 5 2020

PER / PAR:



Schedule "A"



Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

THE HONOURABLE
JUSTICE SCHABAS

FRIDAY THE 18th DAY

OF SEPTEMBER 2020

BETWEEN:

TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)

Plaintiffs / Moving Parties

and

CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO

Defendants / Responding Parties

ORDER

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to sections 101 and 103 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CIA") to (i) issue and register a Certificate of Pending Litigation, (ii) appoint a receiver and (iii) grant an injunction against the Defendants was heard this day by conference call in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto and on reading the Notice of Action,

1. THIS COURT ORDERS that the Plaintiffs' motion is hereby granted.
2. THIS COURT ORDERS that a Certificate of Pending Litigation in the form attached hereto as Schedule "A" shall be issued and registered against title to the lands and premises legally and municipally described pursuant to section 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43 and Rule 42 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.
3. THIS COURT ORDERS that an interim injunction for 10 days from the date of this Order shall be granted, preventing the sale of the real property as described in Schedule "A" hereto;
4. THIS COURT ORDERS that an interim order preventing CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP, their servants, employees, agents, assigns, officers, directors and/or anyone else acting on its behalf or in conjunction with it, and any and all persons with notice of this order, from either directly or indirectly, by any means whatsoever from:
 - (i) Selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with or disposing of any assets of CIM Bayview Creek Inc. as described in Schedule "A" hereto;
 - (ii) Instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
 - (iii) Facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

5. THIS COURT ORDERS that the prohibition set out above in paragraph 4 applies to CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP assets, whether in the Defendants' own names or not, and whether solely or jointly owned, including but not limited to:
- (i) any bank, investment or other account at any bank, financial or other institution;
 - (ii) any motor vehicle, trailer or other vehicle registered to the Defendants;
 - (iii) any real property in which the Defendants have any interest, including the real property;
 - (iv) any and all other personal property of any description whatsoever; and
 - (v) any and all share certificates, negotiable instruments and the like.
6. THIS COURT ORDERS that CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP shall forthwith deliver to counsel for the Plaintiffs sworn evidence of the nature and location of all their assets, wheresoever located, including assets held on their behalf or in trust for them, assets held jointly with some other party, assets in which they hold any interest and assets that they hold in trust for any party.
7. THIS COURT ORDERS that a Receiver shall be appointed pursuant to section 101 of the CJA and in the form attached hereto as Schedule "B".

-4-

8. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order, shall be reserved pending judgment in this proceeding or further Order of the Court.
9. THIS COURT ORDERS this matter including consideration of this Order be returnable at 10 a.m. on September 28, 2020, before this Court.
10. THIS COURT ORDERS, that notwithstanding rule 59.05, this Order is effective from the date it is signed and is enforceable without any need for entry and filing.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

SEP 18 2020

PER / PAR: 



Paul Schabas J.

-5-

SCHEDULE "A"

Court File No.: CV-20-000647366-0000

ONTARIO**SUPERIOR COURT OF JUSTICE****BETWEEN:***(court seal)*

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants

CERTIFICATE OF PENDING LITIGATION

I CERTIFY that in this proceeding an interest in the following land is in question:

Property Identifier Number: 03186-4757 (LT)

PT LT 25, CON 2, (MKM) , PTS 1 & 2, PL 65R31680, S/T EASEMENT OVER PART 2,
65R13270 AS IN R510790

This certificate is issued under an order of the court made on September , 2020.

Date

Issued by

Local registrar

Address of
court office

.....

TRACY HUI et al.
Plaintiffs

-and-

CIM INTERNATIONAL GROUP INC. et al.
Defendants

Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

**CERTIFICATE OF PENDING
LITIGATION**

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiti Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs

TRACY HUI et al.
Plaintiffs / Moving Parties

and CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

SCHEDULE "B"

Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

**THE HONOURABLE
JUSTICE SCHABAS**

)
)
)
)

FRIDAY THE 18TH DAY OF

SEPTEMBER 2020

BETWEEN:

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs / Moving Parties

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants / Responding Parties

ORDER

(Appointing Investigative Receiver)

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA") appointing Albert Gelman Inc. ("AGI") as investigative receiver (the "Receiver") over the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP, on the terms set out below, was heard this day by Teleconference in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto, and on hearing the submissions of counsel for the Plaintiff and on reading the consent of AGI to act as Receiver,

APPOINTMENT

1. THIS COURT ORDERS that pursuant to section 101 of the CJA, AGI is hereby appointed Investigative Receiver with only the powers granted below of the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP (the "Companies") pending further order of the court.

RECEIVER NOT IN POSSESSION OF ASSETS

2. THIS COURT ORDERS that the Companies shall remain in possession of its current and future assets, and undertakings and properties of every nature and kind whatsoever (collectively the "Property") and wherever situated including proceedings thereof.
3. THIS COURT ORDERS that at subject to further Order of this Court, the Companies shall continue to carry on its business and affairs consistent with its obligations to estate creditors and beneficiaries, if any.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver be and is hereby empowered and authorized, but not obligated, to act at once, without in any way limiting the generality of the foregoing, to do any of the following where the Receiver considers it necessary or desirable:
 - (a) To obtain all information whether in paper format or in digital format, both foreign or domestic (for further clarity, both within and outside of Canada and in all other jurisdictions), relating to the business, affairs, records, and all assets and property of the Companies (the "Information"), without limitation, from (i) the Companies and all of their

current and former directors, officers, employees, agents, accountants, shareholders, banks and financial institutions or brokerages, all officers or employees of such banks, financial institutions or brokerages who have access to the Information, and all other persons acting on their instructions or behalf with the exception of legal counsel, and (ii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this order, save and except for the Plaintiffs (all the foregoing each being a "Person, save and except for the Plaintiffs; to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (c) to report to, meet with and discuss with any and all Persons, including counsel for the Plaintiffs, as the Receiver deems appropriate on all matters relating to the Companies and investigative receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (d) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (e) to conduct examinations under oath of all the Defendants and their financial advisors, provided proper notice as stipulated under the *Rules of Civil Procedure*, is provided to the proposed party to be examined which examinations shall also serve as examinations for discovery in the within action;

- (f) and in each case where the receiver takes such action or steps, it shall be exclusively authorized and empowered to do so without interference from any other person including those defined herein as "Person".

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that all Persons (as that term is defined at sub-paragraph 4(a) above), including banks and financial institutions, shall forthwith advise the Receiver of the existence of any Information in such Person's possession or control and shall grant immediate and continued access to the Information to the Receiver.
6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, trusts, contracts, orders, accounting records, and any other papers, records, and information of any kind related to the business or affairs of the Companies, without limitation, any computer programs, computer tapes, computer disks, or other storage data containing any such information (the foregoing collectively the "Records") in that Person's possession or control, and shall provide to the Receiver unfettered access to and use of accounting, computer software and physical facilities relating hereto, including without limiting the generality of the foregoing, the delivery by such persons of all passwords required to access the Information and Records, which may not be disclosed or provided to the Receiver due to privilege attaching to solicitor-client communications or due to statutory provisions prohibiting such disclosure.
7. THIS COURT ORDERS that if any Information and Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Information and Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the Information and Records contained therein whether by way of printing the Information and Records onto paper or making copies of computer disks or a bitmap image or such other manner of retrieving and copying the Information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Information and Records without the prior written consent of the

Receiver. Further, for the purposes of this Paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the Information and Records as the Receiver may in its discretion require including providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the Information and Records.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any Court or tribunal shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

9. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part.

RECEIVER'S ACCOUNT

10. THIS COURT ORDERS that the Plaintiff shall be responsible for the costs of the Receiver costs and its counsel's accounts without prejudice to the Plaintiff seeking to have such costs paid by the Companies and/or by any and/or all of the Defendants in the event judgment is obtained against any and / or all of them or subject to any further Order of the court. The Plaintiff shall be responsible to pay the disbursement costs of the Defendants arising from their compliance with this Order provided that (i) the disbursement costs would not ordinarily be required to be paid by the Defendants under the Rules of Civil Procedure and (ii) that the Defendants advise the Plaintiffs through their counsel of the estimated cost of the disbursement prior to incurring it.

SERVICE AND NOTICE

11. THIS COURT ORDERS that the electronic service shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*.

GENERAL

12. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
13. THIS COURT ORDERS that either the Receiver or the Plaintiff may apply to the Court for an Order terminating the investigative receivership.
14. THIS COURT ORDERS that Hummingbird Lawyers LLP be and are hereby authorized to act as counsel for the Receiver in order to implement the Receiver's powers herein.
15. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Companies.
16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
17. THIS COURT ORDERS that the Receiver be at the liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

18. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order shall be reserved pending judgment in this proceeding or further Order of the Court.
19. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely affected by the order sought or upon such other notice, if any, as this Court may order.
20. THIS COURT ORDERS that notwithstanding paragraph 19, this matter including consideration of this Order shall be returnable at 10 a.m. on September 28, 2020, before this Court.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO.:

SEP 18 2020

PER / PAR



Paul Schabas J.

TRACY HUI et al.
Plaintiffs / Moving Parties

and
CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

TRACY HUI et al.
Plaintiffs / Moving Parties

and
CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Jonathan Barr (LSO# 52181S)
Amir Dear (LSO# 68391T)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

TAB QQ

EXHIBIT "QQ"**CITATION:** Hui v. CIM International Group Inc., 2020 ONSC 6020**COURT FILE NO.:** CV-20-647366**DATE:** 20201005**SUPERIOR COURT OF JUSTICE - ONTARIO****RE:** **TRACY HUI and JOJO HUI (Personally and Representing the interests of The Enforcement Committee of the Debenture Holders), Plaintiffs****AND:****CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO, Defendants****BEFORE:** Paul B. Schabas**COUNSEL:** Jonathan Barr and Amiri Dear, for the Plaintiffs

Ronald Lachmansingh and Katherine Lee, for the Defendant Bayview Creek (CIM) LP

Lawrence Hansen for Duca Financial Services Credit Union Ltd.

Robert Choi, for Bryton Capital Corp.

HEARD: September 28, 2020**ENDORSEMENT**

- [1] I released an endorsement in this matter on September 28, 2020: *Hui v. CIM International Group Inc.*, 2020 ONSC 5857. Unfortunately, the parties cannot agree on the terms of the formal order, and I have been forwarded competing versions together with email exchanges between counsel setting out their positions.
- [2] First, in the preamble, the defendant Bayview Creek (CIM) LP objects to including reference to my having read the Investigative Receiver's Interim Report. As I read it, it should be referred to in the Order.
- [3] Second, Bayview Creek's counsel wishes to add to the preamble the following words after "no other parties appearing": "and the Plaintiffs' counsel having undertaken to have Tracy Hui, a resident of Ontario, give an undertaking as to damages." This issue was discussed in my endorsement as it arose during the hearing respecting the issue of security for costs,

but I specifically made no order regarding it. I do not recall a specific commitment being given for an undertaking by Tracy Hui, although the potential need for one was recognized by counsel for the plaintiffs. Accordingly, I will not add that phrase to the Order.

- [4] Third, I have made some minor changes to paragraph 2 of the Order as suggested by counsel for Bayview Creek.
- [5] Fourth, the plaintiff seeks to have the Order contain a third paragraph stating: “**THIS COURT FURTHER ORDERS** that Bayview LP’s motion to set aside the Order of September 18, 2020 for a lack of full and fair disclosure is dismissed.” This accurately reflects my endorsement. Presumably the plaintiffs want this in the Order to ensure that the lack of full and fair disclosure is not raised by Bayview Creek again. I would have thought my endorsement dismissing that basis for setting aside the *ex parte* Order was sufficient for that purpose; indeed, it includes the fact that I addressed the issue at the request of Bayview Creek. However, as the paragraph is accurate and may prevent misunderstanding going forward, I have included the proposed paragraph 3 in the Order.
- [6] I have signed the Order in accordance with this endorsement.



Paul B. Schabas, J.

Date: October 5, 2020

TAB RR

EXHIBIT "RR"

Court File No. CV-20-00647366-0000

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
 Enforcement Committee of the Debenture Holders)**

Plaintiffs / Moving Parties

- and -

**CIM INTERNATIONAL GROUP IN C., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
 CREEK INC., JIUBIN FEN G (a.k.a. JERRY FEN G), ZHAN G DIAN YUAN, DAN
 F UOCO, ROBERT PARENT, MEHDI SHAFIEI, CIM MACKENZIE CREEK IN C., CIM
 MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants / Responding Parties

INVESTIGATIVE RECEIVER'S FIRST REPORT TO COURT

(Dated September 25, 2020)

I. INTRODUCTION

1. This First Report ("**Report**") is filed by Albert Gelman Inc. ("**AGI**") in its capacity as Investigative Receiver ("**Receiver**").
2. On September 18, 2020, the Honourable Mr. Justice Schabas issued an order ("**Appointment Order**") appointing AGI as Investigative Receiver over the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP, pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990 c. C. 43, as amended. A copy of the Appointment Order is attached as **Appendix "A"** to this Report.

3. On the same day, the Honourable Mr. Justice Schabas also issued an order ("**Order**") granting, among other things, that:

- a. a Certificate of Pending Litigation be issued and registered against title to the lands and premises municipally described as 10747 Bayview Avenue, Richmond Hill, Ontario ("**Real Property**");
- b. an interim injunction for 10 days from the date of this Order shall be granted, preventing the sale of the Real Property;
- c. an interim order preventing CIM International Group Inc. ("**CIM Group**"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP, their servants, employees, agents, assigns, officers, directors and/or anyone else acting on its behalf or in conjunction with it, and any and all persons with notice of this order, from either directly or indirectly, by any means whatsoever from:
 - i. selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with or disposing of any assets of CIM Bayview Creek Inc. as described in Schedule "A" to the Order [referring to the Real Property];
 - ii. instructing, requesting, counselling, demanding, or encouraging any other person to do so; and,
 - iii. facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

II. SCOPE AND PURPOSE OF THIS REPORT

4. The Receiver has focused its efforts on obtaining information relating to the business, financial affairs, records, assets and property of Bayview Creek (CIM) LP (“**Bayview Creek LP**”), CIM Bayview Creek Inc. and CIM Group for the purpose of investigating and reporting on:
 - a. the state of the intercompany accounts between Bayview Creek LP and CIM Group, with specific reference to the \$10,000,000 loaned by CIM Group to Bayview Creek LP from the proceeds of the Debentures issued by CIM Group;
 - b. the status of the Real Property (defined below), and advising the Court of the mortgages registered against it for the purpose of assessing if any equity may exist in the Real Property for the unsecured creditors of Bayview Creek LP in the event of a sale of the Real Property¹;
5. The purpose of this Report is as follows:
 - a. to assist the Court in making a determination of the relief sought by the Plaintiff, which motion is returnable on September 28, 2020;
 - b. provide the Court with the preliminary information obtained by the Receiver to date; and,
 - c. advise the Court of the actions and activities of the Receiver to date.

III. TERMS OF REFERENCE

6. While the Receiver has reviewed various documents provided by the parties named herein, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles (“GAAP”) or

¹ As discussed in this Report, the Receiver has requested, but not received any documents to allow it to report on this to date

International Financial Reporting Standards (“IFRS”) or otherwise. Accordingly, the Receiver expresses no opinion or other form of assurance pursuant to GAAP or IFRS or otherwise with respect to such information except as expressly stated herein.

7. This Report has been prepared for the use of this Court to assist the Court in making a determination of whether to approve the relief sought. Accordingly, the reader is cautioned that this Report may not be appropriate for any other purpose. The Receiver will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph.
8. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. BACKGROUND

9. The following background information is contained in the Plaintiff’s Motion Record dated September 14, 2020 which provides background for the Court:
 - a. The Plaintiffs are both holders of debentures issued by CIM Group;
 - b. The debentures were stated as being Three-Year Term Secured Redeemable Debentures (“**Debentures**”) issued by CIM Group, which would bear interest at the rate of 13.5% per annum payable semi-annually on June 15 and December 15 of each year;
 - c. The purpose of the Debentures, as it was explained to the Plaintiffs, was to fund the CIM Group’s Bayview Creek Project;
 - d. The \$10,000,000 raised by CIM Group in selling the Debentures would be used to provide a loan to Bayview Creek (CIM) LP to finance the Real Property;

- e. The Bayview Creek real estate project was also being undertaken by CIM Group controlled entities and their directors and officers;
- f. The \$10,000,000 from the debenture holders would go to CIM Group who would then provide a \$10,000,000 loan to Bayview Creek (CIM) LP, which loan would bear interest at a rate of 20% per annum payable semi-annually for a term of 3 years;
- g. CIM Group would, thereafter, collect its 20% interest from Bayview Creek (CIM) LP or Bayview Creek Inc. and then pay the debenture holders their 13.5% interest payable under the Debentures;
- h. At the end of the three-year term, Bayview Creek (CIM) LP would repay the \$10,000,000 loan back to CIM Group, who in turn would pay back the debenture holders their \$10,000,000;
- i. The loan was to be secured by a mortgage in favour of the debenture holders should there be a default;
- j. Further security for the debentures would be in the shares that CIM Group held in another real estate project known as CIM Mackenzie Creek LP, as a form of backup security;
- k. At some point between January and February 2018, Jiubin Feng aka Jerry Feng (“Feng”) Chief Executive Officer of CIM Group, Robert Parent, another director of CIM Group, and Amanda Zhao (“Zhao”) of Gravitas Securities Inc.² (“Gravitas”) advised that they were not able to add another mortgage to the Real Property because Duca Financial Services Credit Union Ltd. (“Duca”), the lender holding the first

² Albert Gelman Inc. was appointed as Trustee in Bankruptcy of Laurier Capital Holdings Inc. on January 28, 2020. The assets of Laurier Capital Holdings Inc. include five percent of the common shares of Gravitas Securities Inc., which are still held by the bankrupt estate. No Trustee, nor any employee of Albert Gelman Inc., is or has ever been an officer or director of Gravitas Securities Inc, nor has had any prior contact or dealings with Amanda Zhao.

mortgage, would not allow it. To solve the problem, CIM Group, Feng and Zhao advised that they would include TSX Trust Company as regulators to ensure that no fraud or defaults occur. Furthermore, if any defaults occur, TSX Trust Company would be the first to know and that they could immediately get the debenture holders a charge on the Bayview Property, which would rank second behind the first mortgage with Duca;

- l. Further security for the debentures would be in the shares that CIM Group held in another real estate project known as CIM Mackenzie Creek LP, as a form of backup security;
- m. The Plaintiffs understand that the assets of CIM Mackenzie Creek Inc. have been sold and that the Class A shares held in CIM Mackenzie Creek Inc. are essentially worthless;
- n. Jerry Feng was at all material times a Director of CIM Mackenzie Creek Inc. As such, CIM Group, CIM Bayview Creek Inc., and CM Mackenzie Creek Inc. shared the same directing mind and were controlled by the same person at all material times;
- o. The Real Property is now in the midst of a potential power of sale³;
- p. There is a real risk that the assets owned by the Defendants, specifically the Real Property may be sold before judgment; and,
- q. There is a serious issue to be tried concerning the interpretation of the debenture documentation, and the recovery of the Plaintiffs and all of the holders of debentures initial principal amounts paid with respect to acquiring the Debentures and the interest currently owing thereon.

³ It has been subsequently understood by the Plaintiffs that the Property is not in the midst of a power of sale proceeding, but rather that Bayview Creek LP and its Director, Jerry Feng, are attempting to sell the Property and were informally considering offers on September 17, 2020.

V. INFORMATION REVIEWED AND RELIED UPON BY THE RECEIVER

10. In preparing this Report, the Receiver has relied upon the following:

- a. discussions and documentation obtained from Hummingbird lawyers, counsel to the Plaintiffs, including the Affidavit of Jojo Hui, sworn on September 12, 2020 (“**Hui Affidavit**”);
- b. The audited financial statements of CIM Group as at December 31, 2017 and December 31 2018, which were audited by Deloitte LLP (“**Deloitte**”) and which have been obtained by the Receiver from www.sedar.com (“**Sedar**”)⁴ and are attached to this Report as **Appendices “B” and “C”**.
- c. The audited financial statements of CIM Group as at December 31, 2019 which were posted to Sedar on September 22, 2020 and attached as **Appendix “D”**.
- d. Interim financial statements of CIM Group as at March 31, June 30 and September 30, 2018 and as at September 30, 2019, attached hereto as **Appendices “E” through “H”** obtained from Sedar; and,
- e. News Releases of CIM Group obtained from Sedar as set out below:
 - i. June 29, 2020 Press Release – Announcement regarding updates on Debentures, Real Estate Projects and other matters following review by OSC, attached **Appendix “I”**
 - ii. May 26, 2020 Change of Auditors Notice - MS Partners LLP succeeded McGovern Hurley LLP as auditors, attached **Appendix “J”**

⁴ The Receiver notes from news releases of CIM Group posted to Sedar that Deloitte resigned as auditor of their own initiative effective July 31, 2019. McGovern Hurley LLP replaced Deloitte as auditors on August 8, 2019 and subsequently resigned at their own initiative effective as of April 20, 2020. MS Partners LLP were appointed as successor auditors on April 22, 2020.

- iii. May 26, 2020 Letter to Securities Commission Members by MS Partners LLP regarding confirmation of appointment as auditor, attached **Appendix “K”**
- iv. April 28, 2020 Press Release – Announcement regarding delay in statutory filing and change of Auditors, attached **Appendix “L”**
- v. January 29, 2020 Press Release – Announcement regarding Notice received for an event of default in respect of payment of interest to Debenture-holders, attached **Appendix “M”**
- vi. January 15, 2020 Press Release- Announcement regarding appointment of new CEO and CFO, attached **Appendix “N”**
- vii. January 13, 2020 Press Release – Announcement to purchase LP units of CIM Mackenzie Creek Limited Partnership and shares of its general partner, attached **Appendix “O”**
- viii. December 12, 2019 Press Release – Proposal to Call Back Approximately 39 Million in Shares and announcement of new CFO, attached **Appendix “P”**
- ix. November 27, 2019 Press Release – Announcement regarding agreement with Bayview Creek (CIM) LP (“Bayview Creek”) to revise the terms of their lending arrangements and to off-set certain debts, attached **Appendix “Q”**
- x. November 7, 2019 Press Release – Announcement regarding update on Mackenzie Creek Court Proceedings, attached **Appendix “R”**
- xi. November 8, 2019 Management Report - Management’s Discussion & Analysis for the nine months ended September 30, 2019 and September 30, 2018, attached **Appendix “S”**
- xii. October 1, 2019 Press Release – Announcement regarding problems faced for the investment in CIM Mackenzie Creek Limited Partnership, attached **Appendix “T”**
- xiii. August 12, 2019 Change of Auditors Notice - McGovern Hurley LLP succeeded Deloitte LLP as auditors, attached **Appendix “U”**
- xiv. February 16, 2018 Material Change Report – Private Placement of Secured Debentures, attached **Appendix “V”**

VI. ACTIONS AND ACTIVITIES OF THE RECEIVER

11. In addition to the information provided herein, the Receiver has completed the following activities to date:

- a. The Receiver served Jiubin Feng (a.k.a Jerry Feng), CEO of CIM Group with the Appointment Order on September 20, 2020 by email to jerry.feng@cimintgroup.com and requested a phone call to discuss its mandate and request for information in further detail. Mr. Feng did not respond to this email and accordingly, on September 22, 2020 the Receiver sent a follow up email to Mr. Feng again requesting a phone call and requesting specific financial information authorized for production to the Receiver pursuant to the Appointment Order. Mr. Feng responded by email on September 24, 2020 wherein he stated he will try to find what we want. A copy of the email exchange is attached as **Appendix "W"**.
- b. Provided Deloitte LLP with a copy of the Appointment Order by email to Terng Chen, who is the engagement partner from Deloitte LLP for the audit of CIM International Group Inc. for the years ending December 31, 2018 and December 31, 2017 and requested a true copy of the audited financial statements for 2017 and 2018 from their records. The Legal counsel to Deloitte LLP responded by email on September 23, 2020, advising that they are looking into the request for information and will make best efforts to respond in due course.
- c. Wrote by email to DUCA Financial Services Credit Union Ltd., Bryton Capital Corp, GR (CAN) Investment Co. Ltd. and Monest Financial Inc. who are the mortgagees registered on title to the Real Property of CIM Bayview Creek Inc. at 10747 Bayview Avenue, Richmond Hill, requesting the current balance of their mortgages, copy of

their mortgage agreements, documents showing the advance of the mortgage loan(s), status of any defaults in relation to the mortgages and copies of any financial statements in their possession for the years 2017, 2018, 2019 and 2020 that they may have in their records in relation to CIM Bayview Creek Inc., CIM International Group Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP. In this regard the Receiver has been in contact with counsel for DUCA Financial Services Credit Union Ltd., Solicitors for Bryton Capital Corp. GP. Ltd. and Mr. Chris from Monest Financial Inc. but has not yet received a response from the other mortgagees.

- d. On September 21, 2020, the Receiver emailed a representative of Global Link Realty Brokerage ("**Listing Broker**"), who the Receiver understands is the listing broker for the Real Property. In that email the Receiver attached the Order the Honourable Mr. Justice Schabas of September 18, 2020 and requested that the broker contact the Receiver urgently. The Listing Broker responded by email the same day advising that he will talk to his lawyer tonight or tomorrow and then answer my questions. A copy of the email exchange is attached as **Appendix "X"**. On September 22, 2020, Richard Worsfold of the law firm Mills and Mills LLP emailed the Receiver advising that Global Link Realty Brokerage has asked him to contact the Receiver about the Receiver's requests and he would like to understand what information the Receiver seeks so he might be able to advise his client regarding the request for information. A further exchange of emails took place wherein the Receiver advised that the matters to be discussed and documents needed are:

- Copy of listing agreement
- offers received
- Is there any accepted offer, even conditional

- Did he do an opinion of value and if so, can we get a copy
- Generally, his thoughts on saleability of property and price range expected

A copy of the email exchanges is attached as **Appendix “Y”**

- e. The Receiver wrote to Peter Proszanski, lawyer at Himelfarb Proszanski, who the Receiver understood to be the real estate lawyer for CIM Bayview Creek Inc., the seller of the Real Property, by email dated September 20, 2020. The Receiver followed up on September 21, 2020, advising it would like to discuss which parties he represents in this matter (if any) and whether he can discuss matters on their behalf or otherwise advise his clients of their responsibility to communicate with the Receiver pursuant to Sections 4(a) and 4 (e) of the Order appointing the Investigative Receiver. Mr. Proszanski responded by email of September 21, 2020 advising he is not retained on this matter, as he indicated to Mr. Barr, and he has no knowledge about the debenture and that he will contact Mr. Feng and advise him of our appointment. A copy of the email exchange is attached as **Appendix “Z”**

VII. STATE OF INTERCOMPANY ACCOUNTS BETWEEN BAYVIEW CREEK LP AND CIM GROUP

12. As expanded upon later in this Report, the Term Sheet attached to the Subscription Agreement for the Debentures, as well as the Financial Statements and Press Releases of CIM Group, evidence that the intention of CIM Group in relation to the issuance of the Debentures was as follows:

- a. CIM Group was to raise gross proceeds of \$10,000,000 by issuing three-year term secured debentures bearing interest at a rate of 13.5% per annum, payable semi-annually, on a non-brokered Private Placement basis (the “**Private Placement**”);
- b. The Debentures were to be secured by 10,000,000 Class A limited partner units owned by CIM Group in the capital of CIM Mackenzie Creek Limited Partnership;
- c. The net proceeds of the Private Placement were to be used to purchase a three-year term secured debenture bearing interest at a rate of 20% per annum, also payable semi-annually (the “**Investment**”) from Bayview Creek LP; and
- d. The Investment was to be secured by a covenant to provide a mortgage against the title to the Real Property in the event of default of the Investment or an event of default under any mortgage on title to the Real Property.⁵

13. Based upon the above, the Receiver would expect that that the amounts due by CIM Group to the Debenture holders, at each quarter end, would be the same (or closely correspond) to the amounts due by Bayview Creek LP to CIM Group. However, as the Receiver reports below, this does not appear to be the case based upon the Receiver’s examination of the financial statements of CIM Group.

14. Set out below is a schedule of the state of accounts between Bayview Creek LP and CIM Group, as set out in the financial statements of CIM Group on a quarterly basis from December 31, 2017 to December 31, 2018, and also at September 30, 2019. Also set out on the schedule is the corresponding amount due by CIM Group to the Debenture holders at each quarter.

⁵ The Receiver points out that the March 31, 2018 and June 30, 2018 interim financial statements do make a reference to the covenant to provide a mortgage against title to the Real Property. However, the subsequent interim financial statements and the December 31, 2017 and 2018 audited financial statements do not make such a reference. In addition, a press releases of CIM Group posted to Sedar also make reference to the covenant to provide a mortgage (see Appendix “V”)

| | Audited | Unaudited | Unaudited | Unaudited | Audited | Unaudited |
|--|-------------|-------------|-------------|-------------|-------------|------------|
| | Dec 31 | Mar 31 | June 30 | Sept 30 | Dec 31 | Sept 30 |
| | 2017 | 2018 | 2018 | 2018 | 2018 | 2019 |
| Due by CIM Group to Bayview Creek | - 3,663,327 | - 5,131,054 | - 6,398,120 | - 7,232,030 | - 7,352,306 | - |
| Due by Bayview Creek to CIM Group | - | - | - | - | 611,501 | - |
| Loan due from Bayview Creek to CIM Group | - | 4,565,000 | 8,140,000 | 10,000,000 | 10,000,000 | 1,201,584 |
| Net Due by Bayview Creek to CIM Group | - 3,663,327 | - 566,054 | 1,741,880 | 2,767,970 | 3,259,195 | 1,201,584 |
| Due by CIM Group to Debenture Holders | - | 4,890,000 | 8,565,000 | 10,000,000 | 10,000,000 | 10,000,000 |

15. To illustrate the discrepancy between the apparent intention of CIM Group and the actual statement of accounts between CIM Group and Bayview Creek LP, the Receiver first draws attention to the March 31, 2018 column as an example. This column shows that as at March 31, 2018, the Debenture Holders had then advanced \$4,890,000 to CIM Group and that CIM Group had then advanced \$4,565,000 to Bayview Creek LP. However, CIM Group had also borrowed \$5,131,054 from Bayview Creek LP as at the same date. Accordingly, on a combined/net basis, even though \$4,565,000 of the funds advanced by the Debenture Holders are reported as having been loaned to Bayview Creek LP, because CIM Group also had borrowed \$5,131,054 from Bayview Creek LP, no net amount is due by Bayview Creek LP to CIM Group. To the contrary, CIM Group owed Bayview Creek LP \$566,054 on a combined/net basis.

16. As at December 31, 2018 the financial statements show that the Debenture Holders had advanced the total \$10,000,000 to CIM Group and CIM Group had advanced a total of \$10,000,000 to Bayview Creek LP. Again, however, the financial statements show that CIM Group had also borrowed \$7,352,306 from Bayview Creek LP. On a combined/net basis, Bayview Creek LP only owed CIM Group \$3,259,195.

17. The Receiver also points out that the Audited Financial Statements of CIM Group as at December 31, 2017, being just prior to the Debenture holders advancing their monies to CIM Group, show that CIM Group then owed Bayview Creek LP \$3,663,327.

18. Set out below is a schedule setting out this discrepancy on a quarterly basis.

| | Mar 31 2018 | June 30 2018 | Sept 30 2018 | Dec 31 2018 | Sept 30 2019 |
|-------------------------------|----------------|-----------------|-----------------|----------------|-----------------|
| Net Due from Bayview Creek LP | (566,054) | 1,741,880 | 2,767,970 | 3,259,195 | 1,201,584 |
| Due to Debenture Holders | 4,890,000 | 8,565,000 | 10,000,000 | 10,000,000 | 10,000,000 |

19. Note 15(b) to the December 31, 2017 audited financial statements sets out the interest rate on the loans from Bayview Creek LP to CIM Group:

As at December 31, 2017, the Company [CIM Group] owes Bayview Creek CIM LP., a related company, \$3,663,327 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.

20. The Receiver points out that the 20 percent interest rate on Bayview Creek LP's loans to CIM Group is the same rate as on CIM Group's loans to Bayview Creek LP. Accordingly, the net interest payable by Bayview Creek LP, even at 20 percent, was far less than the interest CIM Group was liable to pay the Debenture Holders at a rate of 13.5 percent.

21. On the unaudited September 30, 2019 financial statements, CIM Group consolidates and offsets the loans due to and from Bayview Creek LP, showing a net amount owing to CIM Group of \$1,201,584. Note 15(f) to this financial statement states the following:

During the year ended December 31, 2018, the Company issued a note receivable in the amount of \$10,000,000 to Bayview Creek (CIM) Limited Partnership (Notes 5 and 10) where the Director of the Company has an interest in related companies. As at June 30, 2019, the Company and

Bayview Creek (CIM) LP agreed to set off the loan receivable balance against the due to balance, such that the net amount owing by Bayview Creek (CIM) to the Company as of July 1, 2019 is \$1,543,774 with 15.5% annual interest. As at September 30, 2019, related interest receivable from Bayview Creek (CIM) is \$55,559.

22. In addition, a news release of CIM Group dated June 29, 2020, attached as **Appendix “I”** includes a disclosure of the offset. Excerpts from the news release are as follows:

CIM International Group Inc. (CSE: CIM) (“CIM” or the “Company”) announces that, following receipt of a comment letter from staff (“Staff”) of the Ontario Securities Commission (“OSC”) in connection with a review by Staff of the OSC of the Company’s continuous disclosure record, the Company has determined to update and to publish clarification of certain matters in respect of its outstanding debentures, land development projects and other matters

Debenture Status

When the Company issued \$10,000,000 of debentures in 2018 pursuant to a trust indenture dated January 9, 2018, as amended, (the “Trust Indenture”) between the Company and TSX Trust Company (the “Trustee”), the proceeds were loaned to Bayview Creek (CIM) LP (“Bayview Creek LP”). As the loan to Bayview Creek was reduced by outstanding loans due to Bayview Creek dating back to December 2017, including an outstanding balance of \$3,681,613 owed to Bayview Creek at the time of the issuance of the debentures on February 6, 2018, as well as periodic repayments commencing in February, 2018 to a net balance of \$1,543,774 as at June 30, 2019 and the security provided to its debenture-holders in respect of the Mackenzie Creek development was uncertain (see the Company’s news release dated December 12, 2019), the Company engaged in discussions with some of the debenture-holders and their legal counsel regarding ongoing interest payments and the Company’s principal repayment obligation with a view to reaching a resolution.

23. The Receiver points out that the shortfall between the interest payable by Bayview Creek LP to CIM Group, on a net basis, to the interest payable by CIM Group to the Debenture Holders appears to have been partially addressed by a reported waiver of \$800,000 of interest payable by CIM Group to Bayview Creek LP. This waiver is disclosed at Note 17 (c) to the December 31, 2018 audited financial statements of CIM Group, which states as follows:

As at December 31, 2018, the Company owes Bayview Creek CIM LP, a related company, \$7,352,306 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies. During the year, interest expense payable of \$800,000 was waived by Bayview Creek (CIM) LP by agreement. This resulted in a reduction to "Interest expense" and "Due to related parties" in the amount of \$800K each.

24. The Receiver will require the following information and records in order to properly understand the state of the intercompany accounts, including the nature and use of the loans advanced by Bayview Creek LP to CIM Group.

- a. Financial Statements of Bayview Creek LP, CIM Bayview Creek Inc., CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP;
- b. The General Ledgers of CIM Group, Bayview Creek LP, CIM Bayview Creek Inc. CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP;
- c. The Banking Records of CIM Group, Bayview Creek LP, CIM Bayview Creek Inc. CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP;
- d. Shareholder Registers and Corporate Minute Books for each of these companies; and
- e. Explanations from Feng and others, including the auditors.

VIII. DECEMBER 31, 2019 AUDITED FINANCIAL STATEMENTS OF CIM GROUP

25. On September 24, 2020, the Receiver learned that CIM Group's audited financial statements for the year ended December 31, 2019 had been posted to Sedar on September 22, 2020.

26. The Receiver has not had sufficient time to conduct an adequate review and analysis of these financial statements. That said, the Receiver does have the following interim comments and observations:

- a. The Auditor, MS Partners LLP, has provided an unqualified opinion on the financial statements in accordance with International Financial Reporting Standards.
- b. In their Auditor's report the auditor includes a note on "Material Uncertainty Related to Going Concern", which reads as follows:

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss in the past and currently has an accumulated deficit of \$25,315,997. As stated in Note 1, these events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

- c. The Assets of the Company are reported as \$3,423,838 as at December 31, 2019, as compared to \$23,267,769 as at September 30, 2019 and \$30,819,483 as at December 31, 2018.
- d. The material items comprising the reduction in the Assets between December 31, 2018 and December 31, 2019 are as follows:

| | |
|---|--------------|
| Write-down of asset held for sale | \$ 2,267,726 |
| Impairment write-down of investments | \$15,011,790 |
| Offset of the loan payable to Bayview Creek LP of \$8,201,104 against the Loan Receivable from Bayview Creek LP | \$ 8,201,104 |
| Offset of Loan Payable to CIM Investment Inc. of \$700,458 against the Loan Receivable from Bayview Creek LP | \$ 700,458 |

- f. As a result of the offsets set out above, the net amount owing by Bayview Creek LP to CIM Group as of December 31, 2019 is only \$490,494.
- g. As set out earlier in the Report, the \$10,000,000 advanced by the Debenture Holders to CIM Group during 2018 was, and appears to have been, re-advanced by CIM Group to

Bayview Creek LP. The apparent intention between the Debenture Holders and CIM Group was, among other things, that the Debentures holders would be repaid on the due date in 2021; being the same year when the loan of \$10,000,000 by CIM Group to Bayview Creek LLP was due to be repaid to CIM Group. It is evident that this cannot happen, since the December 31, 2019 audited financial statements report that the remaining amount due by Bayview Creek LP is only \$490,494. As stated earlier, the Receiver does not yet have sufficient information or records to properly understand the nature and use of the loans advanced by Bayview Creek LP to CIM Group that were ultimately offset against the \$10,000,000 of loans by CIM Group to Bayview Creek LP.

- h. CIM Group reported Revenue of only \$115,461 and a net loss of \$21,665,618 for the year ended December 31, 2019 compared to Revenue of \$3,857,082 and net income of \$434,042 for the year ended December 31, 2018. The reported loss is substantially a result of the write-down of assets and investments as set out earlier.
- i. CIM Group reported an investment in CIM Mackenzie Creek LP of \$10,000,000 as at December 31, 2018 and only \$1 as at December 31, 2019. The December 31, 2019 audited financial statements includes a detailed disclosure on the history of the investment and reason for the write down at Note 7(a). The Receiver has not had an opportunity to investigate this matter as at the date of this Report.
- j. CIM Group reported an investment in CIM Port McNicoll Holding LP of \$3,577,500 as at December 31, 2018 and only \$1 as at December 31, 2019. The December 31, 2019 audited financial statements includes a detailed disclosure on the history of the

investment and reason for the write down at Note 9(b). The Receiver has not had an opportunity to investigate this matter as at the date of this Report.

- k. As at December 31, 2019 CIM Group had total liabilities of \$14,196,855, of which the Debenture Holders represented \$10,000,000, being approximately 70 percent of all liabilities.

IX. CLOSING COMMENTS OF RECEIVER

27. The Receiver has sought, on a preliminary basis, the following records and information which have not yet been provided by various parties set out earlier in this Report:

- a. Historical and current financial statements of Bayview Creek (CIM) LP and CIM Bayview Creek Inc;
- b. The current balances of mortgages, copies of mortgage agreements, documents showing the advance of mortgage loans and the status of any defaults in relation to mortgages from each of the mortgage holders against the Real Property;
- c. A copy of the listing agreement for the Real Property, copies of offers received, if any, and a copy of any offer accepted;
- d. A true copy of the audited financial statements for 2017 and 2018 from Deloitte; and
- e. A commitment from Jerry Feng to discuss our mandate and request for information in further detail.

28. The above forms only a preliminary listing of information and records required by the Receiver for it to conduct its mandate.

29. The Receiver seeks advice and direction from this honorable Court in relation to compelling all "Persons", as defined in the Appointment Order, to cooperate with the Receiver in providing

requested information and documents in accordance with paragraph 12 of the Appointment Order, as needed for it to conduct and complete its mandate.

All of which is respectfully submitted this 25th day of September 2020.

ALBERT GELMAN INC.,

**In its capacity as Court Appointed Investigative Receiver
and not in its personal capacity**

Per:

A handwritten signature in black ink, appearing to read 'Joe Albert', is written over a faint, illegible background.

Joe Albert, *CPA, CIRP, LIT,*
Diploma in Investigative and Forensic Accounting (DIFA)

TAB A

Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

**THE HONOURABLE
JUSTICE SCHABAS**

)
) **FRIDAY THE 18th DAY**
)
) **OF SEPTEMBER 2020**
)

BETWEEN:

**TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs / Moving Parties

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants / Responding Parties

ORDER

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to sections 101 and 103 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA") to (i) issue and register a Certificate of Pending Litigation, (ii) appoint a receiver and (iii) grant an injunction against the Defendants was heard this day by conference call in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto and on reading the Notice of Action,

1. THIS COURT ORDERS that the Plaintiffs' motion is hereby granted.
2. THIS COURT ORDERS that a Certificate of Pending Litigation in the form attached hereto as Schedule "A" shall be issued and registered against title to the lands and premises legally and municipally described pursuant to section 103 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43 and Rule 42 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.
3. THIS COURT ORDERS that an interim injunction for 10 days from the date of this Order shall be granted, preventing the sale of the real property as described in Schedule "A" hereto;
4. THIS COURT ORDERS that an interim order preventing CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP, their servants, employees, agents, assigns, officers, directors and/or anyone else acting on its behalf or in conjunction with it, and any and all persons with notice of this order, from either directly or indirectly, by any means whatsoever from:
 - (i) Selling, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with or disposing of any assets of CIM Bayview Creek Inc. as described in Schedule "A" hereto;
 - (ii) Instructing, requesting, counselling, demanding, or encouraging any other person to do so; and
 - (iii) Facilitating, assisting in, aiding, abetting, or participating in any acts the effect of which is to do so.

5. THIS COURT ORDERS that the prohibition set out above in paragraph 4 applies to CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP assets, whether in the Defendants' own names or not, and whether solely or jointly owned, including but not limited to:

- (i) any bank, investment or other account at any bank, financial or other institution;
- (ii) any motor vehicle, trailer to other vehicle registered to the Defendants;
- (iii) any real property in which the Defendants have any interest, including the real property;
- (iv) any and all other personal property of any description whatsoever; and
- (v) any and all share certificates, negotiable instruments and the like.

6. THIS COURT ORDERS that CIM International Group Inc. ("CIM Group"), CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc. and CIM Mackenzie Creek LP shall forthwith deliver to counsel for the Plaintiffs sworn evidence of the nature and location of all their assets, wheresoever located, including assets held on their behalf or in trust for them, assets held jointly with some other party, assets in which they hold any interest and assets that they hold in trust for any party.

7. THIS COURT ORDERS that a Receiver shall be appointed pursuant to section 101 of the CJA and in the form attached hereto as Schedule "B".

8. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order, shall be reserved pending judgment in this proceeding or further Order of the Court.
9. THIS COURT ORDERS this matter including consideration of this Order be returnable at 10 a.m. on September 28, 2020, before this Court.
10. THIS COURT ORDERS, that notwithstanding rule 59.05, this Order is effective from the date it is signed and is enforceable without any need for entry and filing.



Paul Schabas J.

SCHEDULE "A"

Court File No.: CV-20-000647366-0000

ONTARIO**SUPERIOR COURT OF JUSTICE****BETWEEN:***(court seal)***TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)**

Plaintiffs

and

**CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEL, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO**

Defendants

CERTIFICATE OF PENDING LITIGATION

I CERTIFY that in this proceeding an interest in the following land is in question:

Property Identifier Number: 03186-4757 (LT)

PT LT 25, CON 2, (MKM) , PTS 1 & 2, PL 65R31680. S/T EASEMENT OVER PART 2,
65R13270 AS IN R510790

This certificate is issued under an order of the court made on September , 2020.

Date

Issued by.....

Local registrar

Address of

court office

.....
.....

TRACY HUI et al.
Plaintiffs

-and-

CIM INTERNATIONAL GROUP INC. et al.
Defendants

Court File No.: CV-20-000647366-0000

ONTARIO

SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

**CERTIFICATE OF PENDING
LITIGATION**

HUMMINGBIRD LAWYERS LLP
80 Bloor Street West, Suite 1401
Toronto Ontario M5S 2V1

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs

SCHEDULE "B"*Court File No.: CV-20-000647366-0000***ONTARIO****SUPERIOR COURT OF JUSTICE****THE HONOURABLE
JUSTICE SCHABAS**)
)
)
)**FRIDAY THE 18TH DAY OF
SEPTEMBER 2020****B E T W E E N:****TRACY HUI and JOJO HUI (Personally and Representing the interests of The
Enforcement Committee of the Debenture Holders)****Plaintiffs / Moving Parties****and****CIM INTERNATIONAL GROUP INC., BAYVIEW CREEK (CIM) LP, CIM BAYVIEW
CREEK INC., JIUBIN FENG (a.k.a. JERRY FENG), ZHANG DIAN YUAN, DAN
FUOCO, ROBERT PARENT, MEHDI SHAFIEI, CIM MACKENZIE CREEK INC., CIM
MACKENZIE CREEK LP, GRAVITAS SECURITIES INC. and AMANDA ZHAO****Defendants / Responding Parties****ORDER****(Appointing Investigative Receiver)**

THIS MOTION made *ex parte* by the Plaintiffs for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. 43, as amended (the "CJA") appointing Albert Gelman Inc. ("AGI") as investigative receiver (the "Receiver") over the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP, on the terms set out below, was heard this day by Teleconference in Toronto, Ontario.

ON READING the Affidavit of Jojo Hui sworn September 12, 2020 and the exhibits annexed thereto, and on hearing the submissions of counsel for the Plaintiff and on reading the consent of AGI to act as Receiver,

APPOINTMENT

1. THIS COURT ORDERS that pursuant to section 101 of the CJA, AGI is hereby appointed Investigative Receiver with only the powers granted below of the property of CIM International Group Inc., CIM Bayview Creek Inc., Bayview Creek (CIM) LP, CIM Mackenzie Creek Inc., and CIM Mackenzie Creek LP (the "Companies") pending further order of the court.

RECEIVER NOT IN POSSESSION OF ASSETS

2. THIS COURT ORDERS that the Companies shall remain in possession of its current and future assets, and undertakings and properties of every nature and kind whatsoever (collectively the "Property") and wherever situated including proceedings thereof.
3. THIS COURT ORDERS that at subject to further Order of this Court, the Companies shall continue to carry on its business and affairs consistent with its obligations to estate creditors and beneficiaries, if any.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver be and is hereby empowered and authorized, but not obligated, to act at once, without in any way limiting the generality of the foregoing, to do any of the following where the Receiver considers it necessary or desirable:
 - (a) To obtain all information whether in paper format or in digital format, both foreign or domestic (for further clarity, both within and outside of Canada and in all other jurisdictions), relating to the business, affairs, records, and all assets and property of the Companies (the "Information"), without limitation, from (i) the Companies and all of their

current and former directors, officers, employees, agents, accountants, shareholders, banks and financial institutions or brokerages, all officers or employees of such banks, financial institutions or brokerages who have access to the Information, and all other persons acting on their instructions or behalf with the exception of legal counsel, and (ii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this order, save and except for the Plaintiffs (all the foregoing each being a "Person, save and except for the Plaintiffs; to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (c) to report to, meet with and discuss with any and all Persons, including counsel for the Plaintiffs, as the Receiver deems appropriate on all matters relating to the Companies and investigative receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (d) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations; and
- (e) to conduct examinations under oath of all the Defendants and their financial advisors, provided proper notice as stipulated under the *Rules of Civil Procedure*, is provided to the proposed party to be examined which examinations shall also serve as examinations for discovery in the within action;

- (f) and in each case where the receiver takes such action or steps, it shall be exclusively authorized and empowered to do so without interference from any other person including those defined herein as "Person".

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. THIS COURT ORDERS that all Persons (as that term is defined at sub-paragraph 4(a) above), including banks and financial institutions, shall forthwith advise the Receiver of the existence of any Information in such Person's possession or control and shall grant immediate and continued access to the Information to the Receiver.
6. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, trusts, contracts, orders, accounting records, and any other papers, records, and information of any kind related to the business or affairs of the Companies, without limitation, any computer programs, computer tapes, computer disks, or other storage data containing any such information (the foregoing collectively the "Records") in that Person's possession or control, and shall provide to the Receiver unfettered access to and use of accounting, computer software and physical facilities relating hereto, including without limiting the generality of the foregoing, the delivery by such persons of all passwords required to access the Information and Records, which may not be disclosed or provided to the Receiver due to privilege attaching to solicitor-client communications or due to statutory provisions prohibiting such disclosure.
7. THIS COURT ORDERS that if any Information and Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Information and Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the Information and Records contained therein whether by way of printing the Information and Records onto paper or making copies of computer disks or a bitmap image or such other manner of retrieving and copying the Information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Information and Records without the prior written consent of the

Receiver. Further, for the purposes of this Paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the Information and Records as the Receiver may in its discretion require including providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the Information and Records.

NO PROCEEDINGS AGAINST THE RECEIVER

8. THIS COURT ORDERS that no proceeding or enforcement process in any Court or tribunal shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

9. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part.

RECEIVER'S ACCOUNT

10. THIS COURT ORDERS that the Plaintiff shall be responsible for the costs of the Receiver costs and its counsel's accounts without prejudice to the Plaintiff seeking to have such costs paid by the Companies and/or by any and/or all of the Defendants in the event judgment is obtained against any and / or all of them or subject to any further Order of the court. The Plaintiff shall be responsible to pay the disbursement costs of the Defendants arising from their compliance with this Order provided that (i) the disbursement costs would not ordinarily be required to be paid by the Defendants under the Rules of Civil Procedure and (ii) that the Defendants advise the Plaintiffs through their counsel of the estimated cost of the disbursement prior to incurring it.

SERVICE AND NOTICE

11. THIS COURT ORDERS that the electronic service shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*.

GENERAL

12. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
13. THIS COURT ORDERS that either the Receiver or the Plaintiff may apply to the Court for an Order terminating the investigative receivership.
14. THIS COURT ORDERS that Hummingbird Lawyers LLP be and are hereby authorized to act as counsel for the Receiver in order to implement the Receiver's powers herein.
15. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Companies.
16. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.
17. THIS COURT ORDERS that the Receiver be at the liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

18. THIS COURT ORDERS that costs of this motion, up to and including entry and service of this Order shall be reserved pending judgment in this proceeding or further Order of the Court.
19. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely affected by the order sought or upon such other notice, if any, as this Court may order.
20. THIS COURT ORDERS that notwithstanding paragraph 19, this matter including consideration of this Order shall be returnable at 10 a.m. on September 28, 2020, before this Court.

A handwritten signature in dark ink, appearing to read "Paul Schabas", is written over a horizontal line.

Paul Schabas J.

Proceeding commenced at TORONTO

Lawyers for the Plaintiffs / Moving Parties

TRACY HUI et al.
Plaintiffs / Moving Parties

and

CIM INTERNATIONAL GROUP et al.
Defendants / Moving Parties

Court File No. CV-20-00647366-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

ORDER

HUMMINGBIRD LAWYERS LLP
8800 Dufferin Street
Suite 301
Vaughan ON L4K 0C5

Amiri Dear (LSUC# 68391T)
Jonathan Barr (LSUC# 52181S)

Tel: 905-731-1911

Fax: 905-731-1913

Lawyers for the Plaintiffs / Moving Parties

TAB B

CIM International Group Inc.

Consolidated Financial Statements

**For the Year Ended December 31, 2017 and
For the Ten Months Ended December 31, 2016**

(Expressed in Canadian Dollars)

CIM International Group Inc.**Consolidated Financial Statements**

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Table of Contents

| | |
|--|------|
| Management's Responsibility for Financial Reporting | 1 |
| Independent Auditor's Report..... | 2 |
| Consolidated Statements of Financial Position..... | 3 |
| Consolidated Statements of Income and Comprehensive Income (Loss)..... | 4 |
| Consolidated Statements of Changes in Shareholders' Equity | 5 |
| Consolidated Statements of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements..... | 7-30 |

Management's Responsibility For Financial Reporting

The accompanying consolidated financial statements of CIM International Group Inc. (the "Company") and other information contained in the Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors of the Company. The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

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

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

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

(Signed) "Jiubin Feng"
Chief Executive Officer

(Signed) "Dan Fuoco"
Chief Financial Officer

Toronto, Ontario
April 30, 2018

Deloitte LLP
Bay Adelaide Centre
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent auditor's report

To the Shareholders of CIM International Group Inc.

We have audited the accompanying consolidated financial statements of CIM International Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income and comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017 and ten month period ended December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIM International Group Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and ten month period ended December 31, 2016 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2018

CIM International Group Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at December 31, 2017 | As at December 31, 2016 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 41,994 | \$ 74,013 |
| Other receivables (Note 4) | 11,199 | 33,207 |
| Due from related parties (Note 15) | 100,830 | 2,130,960 |
| Prepaid expenses | 43,135 | 4,274 |
| | 197,158 | 2,242,454 |
| Non-current assets | | |
| Property and equipment (Note 6) | 100,511 | 126,432 |
| Investments (Note 7) | 11,261,490 | 11,777,850 |
| Investment in associates (Note 8) | 5,566,763 | 2,000,000 |
| Deferred tax asset (Note 11) | 281,922 | 109,678 |
| | 17,210,686 | 14,013,960 |
| Total Assets | \$ 17,407,844 | \$ 16,256,414 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 15) | \$ 521,770 | \$ 597,178 |
| Due to related parties (Note 15) | 4,665,871 | 2,972,274 |
| Convertible debentures - current portion (Note 9) | - | 180,000 |
| Deferred gain (Note 7) | 1,658,020 | 1,581,762 |
| Financial lease payable - current portion (Note 10) | 16,932 | 15,358 |
| | 6,862,593 | 5,346,572 |
| Non-current liabilities | | |
| Deferred gain (Note 7) | 228,778 | 1,220,128 |
| Financial lease payable (Note 10) | 10,095 | 27,761 |
| Other liabilities (Note 3 (e)) | 63,846 | 63,846 |
| | 302,719 | 1,311,735 |
| | 7,165,312 | 6,658,307 |
| Shareholders' Equity | | |
| Share capital (Note 12) | 13,972,597 | 13,972,597 |
| Other capital reserves (Note 13) | 624,183 | 624,183 |
| Other comprehensive loss (Note 7) | (269,828) | (357,373) |
| Deficit | (4,084,420) | (4,641,300) |
| Total Shareholders' Equity | 10,242,532 | 9,598,107 |
| Total Liabilities and Shareholders' Equity | \$ 17,407,844 | \$ 16,256,414 |

Subsequent events (Note 18)

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

Approved by the Board of Directors:

(Signed) "Jiubin Feng"

Jiubin Feng, Director

(Signed) "Paul Lin"

Paul Lin, Director

CIM International Group Inc.

Consolidated Statements of Income and Comprehensive Income / (Loss)

(Expressed in Canadian Dollars except for share and per share amounts)

| | Year ended December 31, 2017 | 10 month period ended December 31, 2016 |
|--|---------------------------------|---|
| Revenue (Notes 7 and 15) | \$ 2,322,599 | \$ 1,333,333 |
| Operating expenses | | |
| General and administrative (Note 15) | 444,366 | 200,588 |
| Share-based compensation (Notes 13 and 15) | - | 86,363 |
| Professional fees | 278,168 | 312,537 |
| Wages and benefits (Note 15) | 954,459 | 560,263 |
| Depreciation (Note 6) | 40,743 | 23,833 |
| Listing and filing fees | 26,949 | 39,085 |
| | 1,744,685 | 1,222,669 |
| Gain on settlement of debt | (163,937) | - |
| Share of profit of associates (Note 8) | (55,063) | - |
| Interest expense | 371,065 | 37,440 |
| Total | 1,896,750 | 1,260,109 |
| Net income before income taxes | 425,849 | 73,224 |
| Income tax provision (Note 11) | (131,031) | (109,678) |
| Net income for the year | 556,880 | 182,902 |
| Fair value change of investment (Note 7) | 87,545 | (357,373) |
| Total comprehensive income (loss) for the year | \$ 644,425 | \$ (174,471) |
| Income Per Share - Post-Consolidation (Note 12) | | |
| Basic | \$ 0.01 | \$ (0.00) |
| Diluted | \$ 0.01 | \$ (0.00) |
| Weighted Average Number of Common Shares | | |
| - Post-Consolidation (Note 12) | | |
| Basic | 46,132,616 | 37,957,453 |
| Diluted | 46,505,878 | 38,330,175 |

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

CIM International Group Inc.**Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

| | Share Capital | Shares to be Issued | Other Capital Reserves | Other Comprehensive Income/(Loss) | Deficit | Total Shareholders' Equity / (Deficit) |
|---|---------------------|---------------------|------------------------|-----------------------------------|-----------------------|--|
| Balance - March 1, 2016 | \$ 3,385,082 | \$ 596,172 | \$ 537,820 | \$ - | \$ (4,824,202) | \$ (305,128) |
| Common shares issued (Note 12) | 10,000,000 | - | - | - | - | 10,000,000 |
| Private placement (Note 12) | 596,172 | (596,172) | - | - | - | - |
| Share issue costs (Note 12) | (8,657) | - | - | - | - | (8,657) |
| Share-based compensation (Note 13) | - | - | 86,363 | - | - | 86,363 |
| Change in fair value of investment (Note 7) | - | - | - | (357,373) | - | (357,373) |
| Net income for the period | - | - | - | - | 182,902 | 182,902 |
| Balance - December 31, 2016 | \$13,972,597 | \$ - | \$ 624,183 | \$ (357,373) | \$ (4,641,300) | \$ 9,598,107 |
| Balance - January 1, 2017 | \$13,972,597 | \$ - | \$ 624,183 | \$ (357,373) | \$ (4,641,300) | \$ 9,598,107 |
| Change in fair value of investment (Note 7) | - | - | - | 87,545 | - | 87,545 |
| Net income for the year | - | - | - | - | 556,880 | 556,880 |
| Balance - December 31, 2017 | \$13,972,597 | \$ - | \$ 624,183 | \$ (269,828) | \$ (4,084,420) | \$ 10,242,532 |

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

CIM International Group Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | Year Ended December 31, 2017 | Ten Months Ended December 31, 2016 |
|---|---------------------------------|---------------------------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 556,880 | \$ 182,902 |
| Add (deduct) non-cash items : | | |
| Share-based compensation (Note 13) | - | 86,363 |
| Share of profit of associates (Note 8) | (55,063) | - |
| Depreciation | 40,743 | 23,833 |
| Gain on settlement of debt | 163,937 | - |
| Interest expense | 350,683 | 37,440 |
| Income tax provision | (131,031) | (109,678) |
| Net Change in Non-Cash Working Capital Balances | | |
| Other receivables | 22,008 | 53,464 |
| Prepaid expenses | (38,861) | (4,274) |
| Accounts payable and accrued liabilities | (569,846) | 142,661 |
| Deposit payable | - | (36,000) |
| Due to related parties (Note 15) | 493,597 | 922,274 |
| Due from related parties (Note 15) | 2,030,130 | (930,960) |
| Deferred gain (Note 7) | - | 666,667 |
| Cash provided by operating activities | 2,863,177 | 1,034,692 |
| INVESTING ACTIVITIES | | |
| Investments (Note 7) | (352,400) | - |
| Investments in associates (Note 8) | (2,311,500) | (2,000,000) |
| Loan receivable | - | (1,200,000) |
| Property and equipment | (14,822) | (98,697) |
| Cash used in investing activities | (2,678,722) | (3,298,697) |
| FINANCING ACTIVITIES | | |
| Loan payable advanced (Note 15) | - | 2,000,000 |
| Share issue costs | - | (8,657) |
| Finance lease payments | (16,092) | (3,192) |
| Convertible debentures repaid (Note 9) | (180,000) | (50,000) |
| Interest payment | (20,382) | (22,400) |
| Cash (used in) provided by financing activities | (216,474) | 1,915,751 |
| Decrease in cash in the year | (32,019) | (348,253) |
| Cash - Beginning of year | 74,013 | 422,266 |
| Cash - End of year | \$ 41,994 | \$ 74,013 |

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

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company and Business Operations

CIM International Group Inc. (the "Company") is a Canadian company incorporated pursuant to the provisions of the laws of the Province of Ontario on February 18, 2010. On May 27, 2010, the Company was listed as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange ("TSXV"). On April 29, 2016, the Company officially changed its name to CIM International Group Inc. and de-listed its shares from the Toronto Stock Exchange, which was approved by the shareholders of the Company on April 8, 2016 at the Company's Annual and Special Meeting. In connection with the Transaction, as described below, the Company completed the process to list its Common Shares on the Canadian Securities Exchange (the "CSE") in accordance with the CSE's listing requirements effective on May 2, 2016 and its common shares began trading on May 9, 2016 on the CSE Exchange. The Company is now classified as a "Diversified Industries" issuer company. The registered address of the Company is 55 Commerce Valley Drive West, Suite 502, Markham, Ontario, Canada, L3T 7V9.

Share Consolidation and Change of Business

Effective April 29 2016, the Company completed the securities exchange (the "Transaction") involving CIM Development (Markham) LP ("CIM LP"), CIM Investment & Development LP, Global King Inc., and Shang Titlist Investment Inc. (the three foregoing entities referred to collectively as the "CIM Parties") and acquired 10,000,000 Class A non-voting units in a new limited partnership named CIM Mackenzie Creek Limited Partnership in exchange for 40,000,000 consolidated common shares in the capital of the Company at a deemed price of \$0.25 per consolidated share on a post-consolidated basis totaling \$10,000,000. Shareholders of the Company overwhelmingly supported and approved the Transaction and related matters at the Annual and Special Meeting of the shareholders held on April 8, 2016.

Upon the closing of the Transaction (Note 12) on April 29, 2016, the Company consolidated its issued and outstanding shares on the basis of five pre-consolidation Common Shares for each one post-consolidation Common Share which resulted in a total of 3,732,616 shares issued and outstanding as at April 29, 2016. The 5:1 ratio consolidation of the Common Shares was approved by the shareholders of the Company on April 8, 2016 and was also approved by regulatory authorities. Weighted average number of shares outstanding basic and diluted and share capital transactions are presented on the post consolidated basis.

The Transaction resulted in a change of business ("Change of Business") for the Company which became a "Diversified Industries" company on the CSE Exchange.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, for the year ended December 31, 2017, including comparative figures for the ten months ended December 31, 2016, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2017 were approved and authorized for issue by the Board of Directors of the Company on April 27, 2018.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for the revaluation of available-for-sale investments.

Functional Currency

These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all group entities and for all periods presented in these consolidated financial statements.

a) Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, exposure or rights to variable returns from the Company's involvement with the entity, and the ability to use its power over the entity to affect the amount of the Company's returns. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The consolidated financial statements include the accounts of the Company and its subsidiaries.

ii) Associate

Where the Company has the power to significantly influence but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Company's share of the net assets of the associate, under the equity method of accounting. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of income and comprehensive income/(loss), except that losses in excess of the Company's investment in the associate are not recognized unless there is a legal or constructive obligation to recognize such losses. If the associate subsequently reports profits, the Company's share of profits is recognized only after the Company's share of the profits equals the share of losses not recognized.

Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the Company's investment in an associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

iii) Transactions eliminated on consolidation

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include material companies:

| | Principal activities | Country of incorporation | % Equity interest |
|---------------------------------|---------------------------------|-------------------------------------|--------------------------|
| CIM Capital Inc. | Investment Banking | Canada | 100.0% |
| CIM Development LP | Real Estate | Canada | 21.0% |
| CIM Homes Inc. | Real Estate | Canada | 20.0% |
| CIM Hwy 7 Holding LP | Real Estate | Canada | 27.3% |
| CIM Port McNicoll Holding LP | Real Estate | Canada | 30.0% |

b) Cash

Cash includes cash on hand and readily convertible demand deposits and are subject to an insignificant risk of change in fair value. Cash is invested in a commercial bank accounts in a major Canadian Chartered Bank in Canada.

c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the completion of the contract of the service provided in the period.

Investment income

Income from investments is recognized when the right to receive payment has been established provided that the economic benefits will flow the Company and the amount of the income can be measured reliably.

d) Mining Exploration Costs

The Company records its interest in its mining properties at cost, less impairment, in the consolidated statement of financial position. Exploration and development costs relating to these interests are capitalized until the properties, to which they relate are placed into production, are sold, or allowed to lapse. Management reviews the carrying values of the mining properties on a quarterly basis to determine whether any indicator of impairment exists. These costs will be amortized over the useful life of the mining properties following commencement of commercial production or expensed through the statement of income and comprehensive income (loss) if the mining properties or projects are sold or allowed to lapse. General expenditures not related to specifically mining properties are expensed as incurred in the statement of income and comprehensive income (loss).

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Impairment

For mining exploration costs, indicators of impairment would include expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area. The Company assesses at each reporting date whether there is an indication that mining exploration costs may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses of continuing operations are recognized in a statement of income and comprehensive income (loss) in those expense categories consistent with the function of the impaired asset. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

f) Flow-Through Shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of these flow-through shares, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the subscribers of the flow-through shares at an agreed upon date.

The excess of cash consideration received over the market price of the Company's shares at the date of the announcement of the flow-through share financing is recorded as a liability which is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense in the statement of income and comprehensive income (loss).

A deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures that are capitalized to exploration and evaluation assets and their tax basis. If the Company has sufficient tax assets to offset the deferred tax liability, the liability will be offset by the recognition of a corresponding deferred tax asset.

g) Property and equipment

Property and equipment assets are carried at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in consolidated statement of income and comprehensive income (loss) and is provided on a straight-line basis using the following rates:

| | |
|---|----------------------------|
| Furniture, fixtures, and equipment..... | Over 5 years |
| Computer equipment..... | Over 3 years |
| Leasehold improvements..... | Over the term of the lease |

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

h) Income Taxes

Current Income Taxes

Income tax in the consolidated statements of income and comprehensive income (loss) for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of income and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous periods.

Deferred Income Taxes

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

i) Earnings or Loss per Share

Basic and diluted earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year.

However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

j) Share-Based Payment Transactions

The Company accounts for share-based compensation expense using the fair value based method with respect to all share-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Fair Value is calculated using a Black-Scholes option pricing model and is based on model variables including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. For directors and employees, the fair value of the options is measured at the grant date.

For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Under this standard, share-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to other capital reserves under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from other capital reserves to share capital.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

k) Share Issuance Costs

Costs directly incurred in connection with the issuance of common shares, such as legal fees and finder's fees, are recorded as a charge against share capital.

l) Share Purchase Warrants

When the Company issues common shares and non-transferable share purchase warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model. The relative fair value ascribed to the warrants is determined based on total proceeds received applied pro-rata to the fair of the issued common shares at the transaction date and the fair value of the warrants issued therewith.

m) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below.

The classification of financial assets and liabilities depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

For regular way purchases and sales (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned), financial assets are recognized on a trade-date basis, when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

The Company derecognizes a financial liability when the obligation specified in the contract is discharged, cancelled or expires. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when there is a legally enforceable right to set off the recognized amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

At initial recognition, the Company classified its financial instruments in the following categories:

Financial assets at fair value through profit or loss ("FVTPL"): Financial assets classified at fair value through profit or loss are recognized both initially and subsequently at fair value. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred. Gains and losses arising from changes in fair value are presented in the statement of income and comprehensive income (loss) in the year in which they arise. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond 12 months of the statement of financial position date, which is classified as non-current.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets pertain to the Company's other receivables due from related parties and are recognized initially at the amount expected to be received, less any provisions to reduce the loans and receivables to fair value. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses, if any.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Financial liabilities at amortized cost: Financial liabilities at amortized cost include cash and cash equivalents, accounts payable, accrued liabilities, due to related parties, deferred gain, financial lease payable and are initially recognized at the amount required to be paid less, when significant, a provision to reduce the payables to fair value. Subsequently, such financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the appropriate reporting standard.

Available for Sale("AFS") financial assets: Non-derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive income and accumulated in the AFS reserve. Impairment losses are recognized in profit or loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AFS reserve. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from other comprehensive income (loss).

Effective interest method: The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income or cost over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Convertible debentures: The component parts of compound instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to contributed surplus. No gain or loss is recognized in the statement of income and comprehensive income (loss) upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Impairment: A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed at the cash generating unit which occurs at the mineral property level. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

o) Lease Liabilities

The determination of whether an arrangement is, or contains, a lease is based on the substance of the contractual arrangement at inception date, including whether the arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all the risks and rewards of ownership of the asset, these arrangements are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, with the interest element of the lease charged to the consolidated statement of income and comprehensive income (loss) as a finance cost. Capital assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized in the consolidated statement of income and comprehensive income (loss) on a straight-line basis over the lease term.

p) Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenue and expenses during the reporting period, and the assessment and disclosure of contingencies, if any. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

i) Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Information about critical estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following items:

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Convertible Debentures

The Company measures the discount rate used to determine the fair value of the debt component by reference to interest rate, charged to companies with debt issuances without a conversion feature.

Stock Options and Share-Based Compensation

The Company measures the fair value of stock options granted to officers, directors, employees and agents using the Black-Scholes option pricing model which incorporates the assumptions regarding the expected life of the stock option, volatility, dividend yield, and risk-free rates. The Company is required to calculate the fair value of these stock options at the date of issuance.

Financial Instruments

The Company makes estimates with respect to the valuation of level 3 investment classified as available for sale.

Income Taxes

In assessing the probability of realizing deferred income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to evidence that can be objectively verified.

ii) Critical Accounting Judgments

Impairment

Management is required to use judgment to review the carrying values of the mining properties on a quarterly basis to determine whether any impairment exists based on assumptions of current and future events or circumstances. Estimates and assumptions may change if new information becomes available. If after the expenditures are capitalized and information becomes available suggesting that the recovery of the carrying values is unlikely, the amount capitalized is written-off to the statement of income and comprehensive income (loss) during the year that the new information becomes available.

Convertible Debentures

The Company applies judgment in determining the appropriate accounting treatment for convertible debt issued. The Company reviews the relevant agreements and determines if any embedded derivatives (other than the conversion feature) exist in the arrangement. The Company then reviews the terms of the conversion feature to determine if it should be classified as a liability or as a component of equity. For the convertible debt issued during the year, the Company determined that there were no other embedded derivatives and that the conversion feature should be classified as a component of equity.

Going Concern

Management uses its judgment in determining whether the Company is able to continue as a going concern. Critical considerations take into account all available information about the future viability of anticipated return on its real estate investments and recoverability of such investments, the availability of capital financing, current working capital funds, market price of real estate, and the future commitment and obligations. Management has asserted that the Company is a going concern and that no material uncertainty exists as at December 31, 2017 (See Note 14)

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

Classification of financial instruments

The Company makes judgments with respect to the classification of its investment.

Recent and Future Changes Accounting Pronouncements

Newly Applied Accounting Standards

The following new and revised standards and interpretations and amendments were adopted as of January 1, 2017:

- ☐ IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses; and
- ☐ IAS 7 – Disclosure Initiative.

The adoption of these amendments did not have a significant impact on the Company's consolidated financial statements.

Accounting standards issued but not yet effective

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 9 – Financial instruments

IFRS 9, "Financial instruments" (IFRS 9) was issued by the IASB on July 24, 2014, and will replace IAS 39, "Financial instruments: recognition and measurement" (IAS 39). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014, also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company determined no impact from this standard on its consolidated financial statements. The new standard is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognized in profit and loss as they arise. The Company's financial assets have already been measured at fair value.

The Company had no debt instruments.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts and Customers" (IFRS 15) was issued by the IASB on May 28, 2014, and will replace IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. The new IFRS 15 standard is not expected to have a material impact on the Company's consolidated financial statements as it currently does not have revenue generating contracts.

IFRS 16 – Leases

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

IFRS 16, "Leases" (IFRS 16) was issued by the IASB on January 13, 2016 and will replace IAS 17 "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged. The new standard is effective for annual periods beginning on or after January 1, 2019. The new IFRS 16 standard is not expected to have a material impact on the Company's consolidated financial statements.

4. OTHER RECEIVABLES

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---------------------------------|--------------------------|--------------------------|
| Quebec tax credit for resources | \$ 11,199 | \$ 10,897 |
| HST taxes receivable and other | - | 10,932 |
| Cost recovery | - | 11,378 |
| Total | <u>\$ 11,199</u> | <u>\$ 33,207</u> |

During the ten-month period ended December 31, 2016, the Company received a Quebec mining tax credit refund of \$50,560 from the Quebec Ministry of Finance and the Ministry of Natural Resources related to the February 28, 2014 year-end. During the year ended December 31, 2017, the Company charged \$nil (\$ 11,378 - 2016) to a non-related entity for office rent.

5. MINING EXPLORATION COSTS

During the ten month period ended December 31, 2016, the Company terminated the Option Agreement with the holders with respect to the Hebecourt Property and is no longer bound by the terms, conditions, commitments or obligations of the Option Agreement. As of December 31, 2017, the Company has no obligations, commitments or liabilities of any kind going forward with respect to this mining property.

6. PROPERTY AND EQUIPMENT

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---------------------------------|--------------------------|--------------------------|
| Office equipment and furniture | \$ 104,346 | \$ 102,246 |
| Computer equipment and software | 33,955 | 28,733 |
| Leasehold improvements | 19,286 | 19,286 |
| Software | 7,500 | - |
| Total | 165,087 | 150,265 |
| Accumulated depreciation | <u>(64,576)</u> | <u>(23,833)</u> |
| Net book value | <u>\$ 100,511</u> | <u>\$ 126,432</u> |

During the year ended December 31, 2017, the Company acquired a total of \$14,822 of property and equipment assets (\$98,697 - Dec 31, 2016) and did not dispose of any property and equipment assets in the year ended December 31, 2017 (\$Nil - Dec 31, 2016).

7. INVESTMENTS

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

| | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Investment in CIM Mackenzie Creek LP – Fair value | \$ 10,909,090 | \$ 11,777,850 |
| Investment in Victoria House Retirement Home – Fair value | 357,400 | |
| Total | \$ 11,266,490 | \$ 11,777,850 |

Investment in CIM Mackenzie Creek LP

As at December 31, 2016

As disclosed in Note 1, the Company completed the Transaction. The Company measured \$10 million investment in CIM Mackenzie Creek LP at fair value both at the transaction date and as of December 31, 2016. The fair value of the investment at the transaction date was \$12,745,286 which resulted in a day one level three gain of \$2,745,286 which is to be recognized through profit and loss over time and any changes in fair value only to the extent that it arises from a change in factors that market participants would take into account in accordance with IAS 39 should be recognized through Other Comprehensive Income (Loss).

The Company recorded income of \$1,333,333 partially relating to the amortization of the deferred gain of \$610,064, and partially relating the income earned on that investment of \$723,270. The change in the fair value attributable to Other Comprehensive Income was \$357,373.

The investment was initially designated upon inception as available for sale and recorded at fair value of \$12,745,286. This resulted in a day 1 gain of \$ 2,745,286 which was deferred and will be recognized into profit and loss over the term of the investment. This resulted in \$610,064 being recognized in income for the ten-month period ended December 31, 2016. At December 31, 2016, the fair value of the investment was \$11,777,850.

The Company recognized \$723,270 in income, and unrealized gains and losses of \$357,372 recognized in Other Comprehensive Income (Loss). The Company received cash \$2 million during ten-month period ended December 31, 2016 and as a result of, the Company recorded a deferred gain of \$666,667.

As at December 31, 2017

The Company recorded income of \$2,000,000 consisting of the amortization of the deferred gain of \$915,095 and income earned on that investment of \$1,084,905. The change in the fair value of the investment attributable to Other Comprehensive Income was an increase of \$46,332 for the year. See also Note 11.

In calculating the fair value, management was required to make several assumptions concerning, but not limited to, cash flows and discount rates. All assumptions resulted in a fair value that is considered within the level 3 category of the fair value hierarchy. In particular, the Company used a discounted cash flow approach in the determination of the fair value which utilized cash flow projections based on financial forecasts prepared by Company management covering a 3-year period and a discount rate of 10%.

Investment in Victoria House Retirement Home

During the year, the Company invested in the "Victoria House Retirement Home ("Victoria House"), a retirement home located in Orillia, Ontario. CIM invested \$352,400 directly in the common shares of Canadian China Ageing Development Inc. ("CCAD") representing 8.045% of CCAD's shares. CCAD is the facilities manager of the Victoria House. This investment was initially designated upon inception as "available for sale" and recorded at fair value. Due to its recent purchase, the Company kept the investment at cost which approximates the fair value.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATES

| | December 31, 2017 | December 31, 2016 |
|--|---------------------|---------------------|
| (a) Investment in CIM Development LP | \$ 2,000,000 | \$ 2,000,000 |
| (b) Investment in CIM Hwy 7 Holding LP | 1,500,000 | - |
| (c) Investment in CIM Homes Inc. | 55,263 | - |
| (d) Investment in CIM Port McNicoll Holding LP | 2,011,500 | - |
| Net Equity | <u>\$ 5,466,763</u> | <u>\$ 2,000,000</u> |

(a) On November 28, 2016, the Company invested in the Valleyview Garden residential real estate project located at 3000-3020 Kennedy Road in Scarborough, Ontario. The Valleyview Garden Project is a 4.3 acres site of developable residential real estate land in the City of Toronto. The development proposal application, which has been submitted to the City of Toronto, is for 42 freehold newly constructed single detached residential housing units. The Company invested in limited partnership units in the capital of CIM Development LP, which beneficially owns the Valleyview Garden real estate project, representing a 21% interest in the limited partnership, at an investment cost of \$2 million. This project is progressing with all the various processes and approvals required for the development of the project.

As at December 31, 2017 and 2016, the CIM Development LP on a gross basis includes the following:

| | December 31, 2017 | December 31, 2016 |
|-------------------------|---------------------|---------------------|
| Current assets | \$ 3,357,373 | \$ 6,581,534 |
| Non-current assets | 21,153,606 | 19,064,543 |
| Current liabilities | (510,979) | (1,646,077) |
| Non-current liabilities | (14,500,000) | (14,500,000) |
| Net Equity | <u>\$ 9,500,000</u> | <u>\$ 9,500,000</u> |

During the year ended December 31, 2017, the Company recorded \$nil of associate's post-acquisition profit and loss.

(b) On May 23, 2017, the Company invested in the "Bur Oak" residential and commercial real estate project located at 6910 Hwy 7 and Ninth Line in Markham, Ontario. The Bur Oak project is a 3-Phase project on a 20-acre site which is planned to include 140 residential townhouses, 575 condominium units and 50,000 sq. feet of commercial space in separate developments over a 6-year timeframe. The Company invested \$1.2 million, which was transferred from a loan receivable of \$1,200,000 in the account, directly in limited partnership units in the capital of CIM Hwy 7 Holding LP, and which effectively represents a 27.3% interest in the Bur Oak project. This project is moving forward with all the various studies, processes and approvals required for the development of the project.

As at December 31, 2017 and 2016, the CIM Hwy 7 Holding LP on a gross basis includes the following:

| | December 31, 2017 | December 31, 2016 |
|-------------------------|---------------------|-------------------|
| Current assets | \$ 853,840 | \$ - |
| Non-current assets | 4,846,368 | - |
| Current liabilities | (200,208) | - |
| Non-current liabilities | - | - |
| Net equity | <u>\$ 5,500,000</u> | <u>\$ -</u> |

During the year ended December 31, 2017, the Company recorded \$nil of associate's post-acquisition profit and loss.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

(c) During the year, the Company invested in 20% of CIM Homes Inc. by acquiring 200 common shares issued at \$1 per share. CIM Homes Inc. is a real estate development company which develops both residential and commercial real estate projects. Its principal activities include identifying new development acquisitions, creating partnerships that maximize the value of the real estate portfolio, and seeks to capitalize on real estate development opportunities in the Greater Toronto Area and in the Southern Ontario region.

As at December 31, 2017 and 2016, CIM Homes Inc. on a gross basis includes the following:

| | December 31, 2017 | December 31, 2016 |
|-------------------------|-------------------|-------------------|
| Current assets | \$ 334,440 | \$ - |
| Non-current assets | 1,077,772 | - |
| Current liabilities | (1,144,854) | - |
| Non-current liabilities | - | - |
| Net equity | <u>\$ 267,358</u> | <u>\$ -</u> |
| | December 31, 2017 | December 31, 2016 |
| Revenues | \$ 684,000 | \$ - |
| Expenses | (408,687) | - |
| Net income for the year | <u>\$ 275,313</u> | <u>\$ -</u> |

During the year ended December 31, 2017, the Company recorded \$55,063 of associate's post-acquisition profit.

(d) During the year, the Company invested in the Port McNicoll residential real estate project located near the town of Port McNicoll, Ontario on the southern shore of Georgian Bay. The project is in the development stage on a 1,126-acre site which is planned to include up to 1,500 residential homes. The Company invested \$2,011,500, in limited partnership units in the capital of Port McNicoll Holding LP, and which effectively represents a 30.0% interest in the Port McNicoll project.

As at December 31, 2017 and 2016, the CIM Port McNicoll Holding LP on a gross basis includes the following:

| | December 31, 2017 | December 31, 2016 |
|-------------------------|---------------------|-------------------|
| Current assets | \$ 343,656 | \$ - |
| Non-current assets | 6,596,163 | - |
| Current liabilities | (234,819) | - |
| Non-current liabilities | - | - |
| Net Equity | <u>\$ 6,705,000</u> | <u>\$ -</u> |

During the year ended December 31, 2017, the Company recorded \$nil of associate's post-acquisition profit and loss.

9. CONVERTIBLE DEBENTURES

| | December 31, 2017 | December 31, 2016 |
|------------------------------------|-------------------|-------------------|
| Balance – beginning of year | \$ 180,000 | \$ 280,000 |
| Less: principal repaid in the year | <u>(180,000)</u> | <u>(100,000)</u> |
| Balance – end of year | <u>\$ -</u> | <u>\$ 180,000</u> |

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

On December 5, 2013, the Company issued convertible debentures with a face value of \$280,000 through a non-brokered private placement financing. The convertible debentures bore interest at a rate of 8% per annum paid semi-annually during May and November each year, were unsecured, and with a maturity date of December 5, 2016.

Each debenture was convertible into common shares of the Company at the holder's option at any time prior to the maturity date at a conversion price of \$1.75 per common share (post-consolidation). The convertible debentures were compound financial instruments consisting of the debt instrument and the equity component feature. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 10.28% over the life of the debenture of three years.

The gross proceeds were allocated between the debt instrument in the amount of \$265,371 and to the equity component for \$14,629. The accreted interest for the debenture for the year ended December 31, 2017 was \$Nil (December 31, 2016: \$12,522). Effective December 5, 2016, a total of \$50,000 in principal of the convertible debentures were repaid and \$50,000 was settled against an amount due to a related company. A total of \$180,000 in principal of the convertible debentures were extended for a term of one year to December 5, 2017 with all other terms and conditions remaining unchanged.

In December 2017, the balance of \$180,000 in principal of the convertible debentures and the accrued interest of \$14,400 for the year were repaid in full.

10. FINANCE LEASE PAYABLE

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---|--------------------------|--------------------------|
| Finance lease payable | \$ 27,027 | \$ 43,119 |
| Less: Current portion | <u>16,932</u> | <u>15,358</u> |
| Finance lease payable - Long term portion | <u>\$ 10,095</u> | <u>\$ 27,761</u> |

The finance lease payable bears interest at rates of up to 13.9% per annum, are repayable in monthly instalments of principal and interest of \$1,599 are secured by capital assets and mature up to September 2019.

As at December 31, 2017, the committed present value repayments of the finance lease on a fiscal year basis are as follows:

| | |
|-------|------------------|
| 2018 | \$ 16,932 |
| 2019 | <u>10,095</u> |
| Total | <u>\$ 27,027</u> |

11. INCOME TAXES

a) Income tax expense

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following:

| <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|--------------------------|--------------------------|
|--------------------------|--------------------------|

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

| | | |
|--|--------------|--------------|
| Income before taxes | \$ 425,849 | \$ 73,224 |
| Canadian statutory federal and provincial income tax rates | 26.5% | 26.5% |
| Income tax provision based on Canadian income tax rates | \$ 112,850 | \$ 19,404 |
| Non-deductible expenses | 6,083 | 24,983 |
| Pre-acquisition of control | - | 22,601 |
| Non-taxable portion of partnership draw | (265,000) | |
| Other | 15,036 | |
| Non-recognition of tax attributes | - | (176,666) |
| Income tax recovery | \$ (131,031) | \$ (109,678) |

b) Deferred tax assets (liabilities)

| | Balance March 1, 2017 | Recognized in Income | Recognized in Other Comprehensive Income | Balance December 31, 2017 |
|---------------------|--------------------------|----------------------------|--|---------------------------------|
| Non-capital losses | \$ 298,412 | \$ 260,326 | \$ - | \$ 558,728 |
| Share issuance cost | 15,696 | (8,989) | - | 6,707 |
| Investment in CIM | (204,430) | (120,305) | 41,212 | (283,523) |
| Mackenzie Creek LP | | | | |
| Total | \$ 109,678 | \$ (131,031) | \$ 41,212 | \$ 281,922 |

c) Non-recognized net deductible temporary differences

The Company has total deductible temporary differences in total of \$3.9 million (Dec 31, 2016: \$4.0 million) for which no deferred tax asset has been recognized, comprised as follows:

| | December 31, 2017 | December 31, 2016 |
|------------------------|-------------------|-------------------|
| Mine exploration costs | \$ 776,873 | \$ 776,873 |
| Share issuance costs | - | 97,792 |
| Non-capital losses | 3,207,761 | 3,198,444 |
| Total | \$ 3,984,643 | \$ 4,073,109 |

(i) As per Note 1, the Company underwent a securities exchange, which resulted in a change of control. As a result, the non-capital losses and mine exploration costs pre-acquisition are restricted in use. The Company has not recognized deductible temporary differences on these properties.

CIM International Group Inc.**Notes to the Consolidated Financial Statements****For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016****(Expressed in Canadian Dollars)**

d) Loss carry-forwards

As at December 31, 2017, the Company has available non-capital losses in Canada of \$5.3 million related specifically to its mining business that if not utilized will expire as follows:

| | |
|-------------------|---------------------|
| 2031 (Restricted) | \$ 298,251 |
| 2032 (Restricted) | 413,076 |
| 2033 (Restricted) | 518,729 |
| 2034 (Restricted) | 441,280 |
| 2035 (Restricted) | 860,411 |
| 2036 (Restricted) | 666,697 |
| 2037 | 978,457 |
| 2038 | 1,129,987 |
| | <u>\$ 5,306,888</u> |

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

Authorized - Unlimited common shares with no par value

Issued, fully paid and outstanding

| | <u>Number of Shares</u> <u>(Post -Consolidation)</u> | <u>Amount</u> |
|--|---|----------------------|
| Balance, March 1, 2016 | 3,732,616 | \$ 3,385,082 |
| Shares issued in the year - Transaction (Note 1) | 40,000,000 | 10,000,000 |
| Shares issued in the year - Concurrent financing | 2,400,000 | 596,172 |
| Less: Share issue costs | - | (8,657) |
| Balance, December 31, 2016 | <u>46,132,616</u> | <u>\$ 13,972,597</u> |
| Balance, January 1 and December 31, 2017 | <u>46,132,616</u> | <u>\$ 13,972,597</u> |

On April 29, 2016, the Company completed a concurrent private placement financing for gross proceeds of \$600,000 which was received during the year ended February 2016 of which transaction costs of \$3,828 were recorded against shares to be issued as of February 29, 2016 consisting of 2,400,000 post-consolidation shares at \$0.25 per common share, as required in order to meet CSE listing requirements in connection with the Transaction.

During the year ended December 31, 2017, share issue costs recorded against share capital included professional fees and other fees of \$Nil (December 31, 2016: \$8,657).

Income (Loss) Per Share

The income (loss) per share for the current period and for the comparative period, for both basic and diluted, has been presented on a post-consolidation basis taking into effect the 5:1 ratio share consolidation that was approved by the shareholders of the Company on April 8, 2016. The dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

13. OTHER CAPITAL RESERVES

a) Stock Options

The Company established an incentive stock option plan (the "Plan") pursuant to which the Company may, from time to time, at the discretion of the directors to grant options to the directors, officers, technical consultants and employees of the Company to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. The number of common shares reserved for issuance to any individual director, officer or employee will not exceed five percent (5%) of the issued and outstanding common shares, and will not exceed two percent (2%) for all technical consultants.

The stock options activity during the year ended December 31, 2017 and the ten-month period ended December 31, 2016 is summarized below:

CIM International Group Inc.**Notes to the Consolidated Financial Statements**

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

| STOCK OPTIONS | Number of Stock Options | Weighted Average Exercise Price |
|---|------------------------------------|--|
| Balance, March 1, 2016 | 736,931 | \$0.26 |
| Granted in the period | 373,262 | \$0.375 |
| Cancelled or expired in the period | (736,931) | (\$0.26) |
| Balance, December 31, 2016 | 373,262 | \$0.375 |
| | | |
| Balance, January 1 and December 31, 2017 | 373,262 | \$0.375 |

During the period ended December 31, 2016, a total of 736,931 stock options which were granted between August 2012 and April 2014 to Directors and Officers of the Company were cancelled and an amount of \$155,292 representing the portion of the fair value attributable to these stock options was transferred to contributed surplus within the other capital reserves account.

On April 29, 2016, the Board of Directors granted a total of 373,262 stock options to certain directors and officers exercisable into common shares at a price of \$0.375 per share expiring April 29, 2019 and were fully vested upon issuance. The fair value of the stock options granted was \$86,363 and was calculated using the Black Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 100.00%; (iii) risk free rate of 0.60%; and (iv) expected life of 3 years and a forfeiture rate of 0%.

As at December 31, 2017, there were a total of 373,262 (December 31, 2016 – 372,262) vested stock options outstanding and the weighted average contractual life remaining of the balance of the outstanding stock options is 1.33 years (December 31, 2016: 2.33 years).

b) Other Capital Reserves

| | <u>Amount</u> |
|--|----------------------|
| Balance, February 29, 2016 and December 31, 2016 and December 31, 2017 | \$ <u>624,183</u> |

CIM International Group Inc.**Notes to the Consolidated Financial Statements****For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016****(Expressed in Canadian Dollars)****14. FINANCIAL INSTRUMENTS****Fair Value**

At December 31, 2017, the carrying value of bank overdraft, other receivables (excluding HST) and due from related parties, accounts payables and accrued liabilities, due to related parties, approximates their carrying value due to the short-term nature of these financial instruments. The fair value of cash and cash equivalents is based on Level 1 inputs. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities.

Fair value hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2017, the Company's investments are measured as fair value and categorized level 3 fair value hierarchy as disclosed in note 7.

Capital Management

The Company's capital management objectives are to safeguard its ability to continue to operate as a going concern. The Company considers items included in shareholder's equity to be capital. Its principal sources of cash are from the issuance of common shares and funding from related parties. The Board of Directors monitors the Company's capital position regularly. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares from time to time.

Risk Management

The Company is exposed to financial risks due to the nature of its business operations and the financial assets and liabilities it holds. The Company's primary risk management objective is to safeguard its cash flows, and to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth.

The management of the Company monitors its overall cash position on a regular basis and forecasts its financial obligations so that it is able to meet these commitments. The Board of Directors meets regularly to review business operations, reviews of cash positions and budgets, monitors the status of its real estate investments, reviews compliance with contracts and commitments, and compliance with regulatory authorities.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

- a) *Market risk* - Market risk is the risk that the fair value or future cash flow from a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company believes that it is exposed to price risk related to real estate.
- b) *Credit risk* - Credit risk arises from cash and deposits with banks and financial institutions, and accounts receivables. To minimize the credit risk the Company places these instruments with a high credit quality financial institution, and monitors accounts receivable balances on a monthly basis for collectability.
- c) *Interest rate risk* - The Company is not exposed to any significant interest rate risk as it has no significant long-term investments except as disclosed in Note 7 which would be subject to material interest rate fluctuations.
- d) *Currency risk* - The Company operates in Canada and conducts its business operations in Canadian dollars only. As a result, the Company no foreign currency exposure with respect to its transactions denominated in Canadian dollars
- e) *Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity and debt financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs subject to certain restrictions imposed by the CSE. It is anticipated that the Company's existing cash balances, cash flow from operations, advances from related parties and debt financing will be sufficient to fund operations for the next twelve months. Refer to subsequent events note 18 whereby the Company raised a total of \$4,890,000 gross proceeds from the issuance of three-year term secured debentures.

All Company's financial liabilities except for as disclosed in note 10, are due within three months to one year.

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017 and ten months ended December 31, 2016, the following are the related party transactions:

a) Due from related parties:

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---------------------------------|--------------------------|--------------------------|
| CIM Highway 7 Holding LP | \$ - | \$ 1,200,000 |
| CIM Homes Inc. | - | 800,000 |
| Rent cost and salaries recovery | <u>100,830</u> | <u>130,960</u> |
| Total | <u>\$ 100,830</u> | <u>\$ 2,130,960</u> |

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

b) Due to related parties

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|---------------------------|--------------------------|--------------------------|
| CIM Homes Marketing Inc. | \$ 1,000,000 | \$ - |
| Bayview Creek CIM LP | 3,663,327 | 50,000 |
| CIM Global Development LP | <u>2,544</u> | <u>2,922,274</u> |
| Total | <u>\$ 4,665,871</u> | <u>\$ 2,972,274</u> |

- i. As at December 31, 2017, the Company owes CIM Home Marketing Inc. Inc., a related company, \$1,000,000 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company is related to an officer and director of this company.
 - ii. As at December 31, 2017, the Company owes Bayview Creek CIM LP., a related company, \$3,663,327 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.
 - iii. As at December 31, 2017, the Company owes CIM Global Development LP., a related company, \$2,544 which non-interest short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.
- c) During the ten month period ended December 31, 2016, the Company acquired 10,000,000 Class A non-voting units in CIM Mackenzie Creek Limited Partnership (Note 7), where Chief Executive Officer and a director of the Company have an interest in companies related to Mackenzie Creek Limited Partnership.
 - d) During the ten month period ended December 31, 2016, the Company acquired a 21% interest in CIM Development Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
 - e) During the year ended December 31, 2017, the Company acquired a 27.3% interest in CIM Hwy 7 Holding Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
 - f) During the year ended December 31, 2017, the Company acquired a 30% interest in CIM Port McNicoll Holding Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
 - g) During the year ended December 31, 2017, the Company earned accounting and financial services totaling \$255,000 charged to related companies (2016 - \$nil).
 - h) During the year ended December 31, 2017, the Company charged related companies for the recovery of operating expenses totaling \$136,793 (2016 - \$130,960).

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

- i) During the year ended December 31, 2017, the Company incurred interest expense totaling \$350,683 to related companies (2016 - \$nil)
- j) Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
A summary of the key management compensation comprises the following:

| | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|--------------------------|--------------------------|--------------------------|
| Salaries and benefits | \$ 524,354 | \$ 423,803 |
| Stock-based compensation | <u>-</u> | <u>45,017</u> |
| Total | <u>\$ 524,354</u> | <u>\$ 468,820</u> |

16. COMMITMENTS AND CONTINGENCIES

a) Hebecourt Project

During the period ended December 31, 2016, the Company terminated the Agreement with the holders with respect to the Hebecourt Property and is no longer bound by the terms, conditions, commitments or obligations of the Agreement. In addition, the Company will have no obligations, commitments or liabilities of any kind going forward.

b) Lease Commitment

The Company is committed to the following rental payments as at December 31, 2017:

| | <u>Rent Amount</u> |
|--------------------------------------|--------------------|
| Less than 1 year | \$ 267,742 |
| Greater than 1 and less than 5 years | 644,723 |
| Greater than 5 years | <u>-</u> |
| Total Commitment | <u>\$ 912,464</u> |

The Company expects to recover approximately \$167,000 of this commitment from related companies.

CIM International Group Inc.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017 and for the Ten Months Ended December 31, 2016

(Expressed in Canadian Dollars)

17. SEGMENT

The Company currently operates in one business segment, which is real estate development for which all operating activities are conducted within Canada.

As at December 31, 2017, the Company had \$16,828,253 (December 31, 2016 was \$13,777,850) of real estate non-current assets and recorded revenue of \$2,000,000 from its investment in real estate.

18. SUBSEQUENT EVENT

Subsequent to the year-end, the Company raised aggregate gross proceeds of \$4,890,000 by issuing three-year term secured debentures bearing interest at a rate of 13.5% per annum payable semi-annually (the "Debentures") on a non-brokered Private Placement basis (the "Private Placement"). The Debentures are secured by 4,890,000 Class A limited partner units owned by the Company in the capital of CIM Mackenzie Creek Limited Partnership.

The net proceeds of the Private Placement were used to purchase a three-year term secured debenture bearing interest at a rate of 20% per annum payable semi-annually (the "Investment") from Bayview Creek (CIM) LP, the beneficial owner of the Bayview Creek residential development project located at 10747 Bayview Avenue, Richmond Hill, Ontario. The Company paid a finder's fee equal to four percent (4%) of the gross proceeds of the Private Placement raised from investors referred to the Company by the finders.

The Private Placement and the Investment (collectively, the "Transactions") were considered "related party transactions" as (i) Jiubin Feng, one of the directors and senior officers of the Company, is also a director and officer of the general partner of Bayview Creek (CIM) LP and (ii) the general partner of Bayview Creek (CIM) LP is also the general partner of one of the insiders of the Company, namely CIM Investment & Development LP.

TAB C

CIM International Group Inc.

Audited Consolidated Financial Statements

**For the Years Ended December 31, 2018
and December 31, 2017**

(Expressed in Canadian Dollars)

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Table of Contents

| | |
|--|------|
| Management's Responsibility for Financial Reporting | 1 |
| Independent Auditor's Report | 2-4 |
| Consolidated Statements of Financial Position..... | 5 |
| Consolidated Statements of Income and Comprehensive Income | 6 |
| Consolidated Statements of Changes in Shareholders' Equity | 7 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to the Consolidated Financial Statements | 9-32 |

Management's Responsibility for Financial Reporting

The accompanying audited consolidated financial statements of CIM International Group Inc. (the "Company") and other information contained in the Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors of the Company. The accompanying audited consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

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

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

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

(Signed) "Jiubin Feng"
Chief Executive Officer

(Signed) "Dan Fuoco"
Chief Financial Officer

Toronto, Ontario
April 30, 2019



Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of CIM International Group Inc.

Opinion

We have audited the consolidated financial statements of CIM International Group Inc. (the "Company"), which comprise the consolidated financial position as at December 31, 2018 and 2017, and the consolidated statements of income and comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Terng Chen.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 30, 2019

CIM International Group Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at December 31, 2018 | As at December 31, 2017 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 10,618 | \$ 41,994 |
| Other receivables (Note 4) | 3,490,804 | 11,199 |
| Due from related parties (Note 17) | 754,606 | 100,830 |
| Asset held for sale (Note 8) | 2,072,727 | - |
| Prepaid expenses | 2,726 | 43,135 |
| | 6,331,481 | 197,158 |
| Non-current assets | | |
| Loan receivable (Note 5) | 10,000,000 | - |
| Property and equipment (Note 6) | 84,156 | 100,511 |
| Investments (Note 7) | 10,352,400 | 11,261,490 |
| Investment in associates (Note 9) | 3,577,500 | 5,566,763 |
| Deferred tax asset (Note 13) | 473,946 | 281,922 |
| | 24,488,002 | 17,210,686 |
| Total Assets | \$ 30,819,483 | \$ 17,407,844 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 16) | \$ 845,484 | \$ 521,770 |
| Due to related parties (Note 17) | 8,803,413 | 4,665,871 |
| Deferred gain (Note 7) | 971,700 | 1,658,020 |
| Finance lease payable - current portion (Note 11) | 17,572 | 16,932 |
| | 10,638,169 | 6,862,593 |
| Non-current liabilities | | |
| Debt (Note 10) | 10,000,000 | - |
| Debt issue costs (Note 10) | (579,661) | - |
| Deferred gain (Note 7) | - | 228,778 |
| Finance lease payable (Note 12) | 21,724 | 10,095 |
| Other liabilities (Note 3 (e)) | 63,846 | 63,846 |
| | 9,505,909 | 302,719 |
| | 20,144,078 | 7,165,312 |
| Shareholders' Equity | | |
| Share capital (Note 14) | 13,972,597 | 13,972,597 |
| Other capital reserves (Note 15) | 624,183 | 624,183 |
| Other comprehensive loss (Note 7) | (270,996) | (269,828) |
| Deficit | (3,650,379) | (4,084,420) |
| Total Shareholders' Equity | 10,675,405 | 10,242,532 |
| Total Liabilities and Shareholders' Equity | \$ 30,819,483 | \$ 17,407,844 |

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

Approved by the Board of Directors:

(Signed) "Jiubin Feng"

Jiubin Feng, Director

(Signed) "Paul Lin"

Paul Lin, Director

CIM International Group Inc.

Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian Dollars except for share and per share amounts)

| | Year Ended December 31, 2018 | Year Ended December 31, 2017 |
|---|---------------------------------|---------------------------------|
| Revenue (Notes 7 and 17) | \$ 3,857,082 | \$ 2,322,599 |
| Operating expenses | | |
| General and administrative (Note 17) | 328,821 | 444,366 |
| Professional fees | 260,334 | 278,168 |
| Wages and benefits (Note 17) | 1,321,665 | 954,459 |
| Depreciation (Note 6) | 47,830 | 40,743 |
| Listing and filing fees | 22,227 | 26,949 |
| | 1,980,877 | 1,744,685 |
| Gain on settlement of debt | - | (163,937) |
| Share of loss (income) of associates (Note 9) | 54,863 | (55,063) |
| Interest expense (Notes 11,12,15) | 1,615,726 | 371,065 |
| Total Expenses | 3,651,466 | 1,896,750 |
| Gain on sale of investments | 29,228 | - |
| Net income before income taxes | 234,844 | 425,849 |
| Income tax provision (Note 13) | (199,197) | (131,031) |
| Net income for the year | 434,041 | 556,880 |
| Fair value change of investment (Note 7) | (1,168) | 87,545 |
| Total comprehensive income for the year | \$ 432,873 | \$ 644,425 |
| Income Per Share (Note 14) | | |
| Basic | \$ 0.01 | \$ 0.01 |
| Diluted | \$ 0.01 | \$ 0.01 |
| Weighted Average Number of Common Shares (Note 14) | | |
| Basic | 46,132,616 | 46,132,616 |
| Diluted | 46,505,878 | 46,505,878 |

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

CIM International Group Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Share Capital | Other Capital Reserves | Other Comprehensive Income/(Loss) | Deficit | Total Shareholders' Equity |
|---|---------------|------------------------|-----------------------------------|----------------|----------------------------|
| Balance - January 1, 2017 | \$ 13,972,597 | \$ 624,183 | \$ (357,373) | \$ (4,641,300) | \$ 9,598,107 |
| Change in fair value of investment (Note 7) | - | - | 87,545 | - | 87,545 |
| Net income for the year | - | - | - | 556,880 | 556,880 |
| Balance - December 31, 2017 | \$ 13,972,597 | \$ 624,183 | \$ (269,828) | \$ (4,084,420) | \$ 10,242,532 |
| Balance - January 1, 2018 | \$ 13,972,597 | \$ 624,183 | \$ (269,828) | \$ (4,084,420) | \$ 10,242,532 |
| Change in fair value of investment (Note 7) | - | - | 6,005 | - | 6,005 |
| Net income for the year | - | - | - | 589,485 | 589,485 |
| Balance - December 31, 2018 | \$ 13,972,597 | \$ 624,183 | \$ (263,823) | \$ (3,494,935) | \$ 10,838,022 |

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

CIM International Group Inc.**Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)**

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 434,041 | \$ 556,880 |
| Add (deduct) non-cash items : | | |
| Share of loss (income) of associates (Note 8) | 54,863 | (55,063) |
| Interest income | (1,292,082) | - |
| Depreciation | 47,830 | 40,743 |
| Gain on settlement of debt | - | 163,937 |
| Interest expense | 1,615,729 | 350,683 |
| Income tax provision | (199,197) | (131,031) |
| Net Change in Non-Cash Working Capital Balances | | |
| Other receivables | (1,639,410) | 22,008 |
| Prepaid expenses | 40,409 | (38,861) |
| Accounts payable and accrued liabilities | (346,215) | (569,846) |
| Due to related parties (Note 17) | (3,081) | 493,597 |
| Due from related parties (Note 17) | 7,725 | 2,030,130 |
| Cash (used in) provided by operating activities | (1,279,388) | 2,863,177 |
| INVESTING ACTIVITIES | | |
| Investments (Note 7) | - | (352,400) |
| Sale of investment in associates (Note 9) | 600,000 | - |
| Interest received from Bayview Creek (CIM) LP | 630,581 | - |
| Investments in associates (Note 9) | (1,638,727) | (2,311,500) |
| Loan receivable (Note 5) | (10,000,000) | - |
| Property and equipment | (31,475) | (14,822) |
| Cash used in investing activities | (10,439,621) | (2,678,722) |
| FINANCING ACTIVITIES | | |
| Debt issue costs | (579,661) | - |
| Loan received from related parties | 3,217,727 | - |
| Finance lease received | 31,475 | - |
| Finance lease payments | (19,205) | (16,092) |
| Convertible debentures repaid (Note 10) | - | (180,000) |
| Interest payment | (962,703) | (20,382) |
| Cash provided by (used in) financing activities | 11,687,633 | (216,474) |
| Decrease in cash in the year | (31,376) | (32,019) |
| Cash - Beginning of year | 41,994 | 74,013 |
| Cash - End of year | \$ 10,618 | \$ 41,994 |

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

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company and Business Operations

CIM International Group Inc. (the "Company") is a Canadian company incorporated pursuant to the provisions of the laws of the Province of Ontario on February 18, 2010. On May 27, 2010, the Company was listed as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange ("TSXV"). On April 29, 2016, the Company officially changed its name to CIM International Group Inc. and de-listed its shares from the Toronto Stock Exchange, which was approved by the shareholders of the Company on April 8, 2016 at the Company's Annual and Special Meeting. In connection with the Transaction, as described in Note 7, the Company completed the process to list its Common Shares on the Canadian Securities Exchange (the "CSE") in accordance with the CSE's listing requirements effective on May 2, 2016 and its common shares began trading on May 9, 2016 on the CSE Exchange. The Company is classified as a "Diversified Industries" issuer company. The registered address of the Company is 55 Commerce Valley Drive West, Suite 502, Markham, Ontario, Canada, L3T 7V9.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements, for the year ended December 31, 2018, including comparative figures for the year ended December 31, 2017, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors of the Company on April 29, 2019.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis except for the revaluation of investments accounted at fair value.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all group entities and for all periods presented in these consolidated financial statements.

a) Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, exposure or rights to variable returns from the Company's involvement with the entity, and

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

the ability to use its power over the entity to affect the amount of the Company's returns. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. The consolidated financial statements include the accounts of the Company and its subsidiaries.

ii) Associates

Where the Company has the power to significantly influence but not control the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter for the post-acquisition changes in the Company's share of the net assets of the associate, under the equity method of accounting. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of income and comprehensive income, except that losses in excess of the Company's investment in the associate are not recognized unless there is a legal or constructive obligation to recognize such losses. If the associate subsequently reports profits, the Company's share of profits is recognized only after the Company's share of the profits equals the share of losses not recognized. Profits and losses arising on transactions between the Company and its associates are recognized only to the extent of unrelated investor's interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the Company's investment in an associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

iii) Transactions eliminated on consolidation

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include material companies:

| | Principal activities | Country of Incorporation | % Equity interest |
|------------------------------|-----------------------------|---------------------------------|--------------------------|
| CIM Capital Inc. | Investment Banking | Canada | 100.0% |
| CIM Development LP | Real Estate | Canada | 21.0% |
| CIM Hwy 7 Holding LP | Real Estate | Canada | 27.3% |
| CIM Port McNicoll Holding LP | Real Estate | Canada | 30.0% |

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

b) Cash

Cash includes cash on hand and readily convertible demand deposits and are subject to an insignificant risk of change in fair value. Cash is invested in a commercial bank accounts in a major Canadian Chartered Bank in Canada.

c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and to the extent that collection is reasonably assured at the time the revenue is earned. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the completion of the performance obligation in the period.

Investment income

Income from investments is recognized when the right to receive payment has been established provided that the economic benefits will flow the Company and the amount of the income can be measured reliably.

d) Property and Equipment

Property and equipment assets are carried at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in consolidated statement of income and comprehensive income and is provided on a straight-line basis using the following rates:

| | |
|---|----------------------------|
| Furniture, fixtures, and equipment..... | Over 5 years |
| Computer equipment..... | Over 3 years |
| Leasehold improvements..... | Over the term of the lease |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e) Income Taxes

Current Income Taxes

Income tax in the consolidated statements of income and comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognized in the statement of income and comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous periods.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Deferred Income Taxes

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

f) Earnings or Loss per Share

Basic and diluted earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year.

However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

g) Share-Based Payment Transactions

The Company accounts for share-based compensation expense using the fair value based method with respect to all share-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Fair Value is calculated using a Black-Scholes option pricing model and is based on model variables including interest rates, expected life, expected volatility, expected dividends, expected forfeitures and share prices. For directors and employees, the fair value of the options is measured at the grant date.

For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Under this standard, share-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to other capital reserves under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from other capital reserves to share capital.

h) Share Issuance Costs

Costs directly incurred in connection with the issuance of common shares, such as legal fees and finder's fees, are recorded as a charge against share capital.

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

i) Share Purchase Warrants

When the Company issues common shares and non-transferable share purchase warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model. The relative fair value ascribed to the warrants is determined based on total proceeds received applied pro-rata to the fair of the issued common shares at the transaction date and the fair value of the warrants issued therewith.

j) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

k) Lease Liabilities

The determination of whether an arrangement is, or contains, a lease is based on the substance of the contractual arrangement at inception date, including whether the arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all the risks and rewards of ownership of the asset, these arrangements are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, with the interest element of the lease charged to the consolidated statement of income and comprehensive income as a finance cost. Capital assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized in the consolidated statement of income and comprehensive income on a straight-line basis over the lease term.

l) Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenue and expenses during the reporting period, and the assessment and disclosure of contingencies, if any. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Information about critical estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following items:

Convertible Debentures

The Company measures the discount rate used to determine the fair value of the debt component by reference to interest rate, charged to companies with debt issuances without a conversion feature.

Stock Options and Share-Based Compensation

The Company measures the fair value of stock options granted to officers, directors, employees and agents using the Black-Scholes option pricing model which incorporates the assumptions regarding the expected life of the stock option, volatility, dividend yield, and risk-free rates. The Company is required to calculate the fair value of these stock options at the date of issuance.

Financial Instruments under IFRS 9

The Company makes estimates with respect to the valuation of level 3 investment classified as FVOCI.

Income Taxes

In assessing the probability of realizing deferred income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to evidence that can be objectively verified.

Critical Accounting Judgments***Impairment***

Management is required to use judgment to review the carrying values of the mining properties on a quarterly basis to determine whether any impairment exists based on assumptions of current and future events or circumstances. Estimates and assumptions may change if new information becomes available. If after the expenditures are capitalized and information becomes available suggesting that the recovery of the carrying values is unlikely, the amount capitalized is written-off to the statement of income and comprehensive income during the year that the new information becomes available.

Debentures

The Company applies judgment in determining the appropriate accounting treatment for debt issued. The Company reviews the relevant agreements and determines if any embedded derivatives (other than the conversion feature) exist in the arrangement. The Company then reviews the terms of the conversion

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

feature, if applicable, to determine if it should be classified as a liability or as a component of equity. For the debt issued during the year, the Company determined that there were no other embedded derivatives and that the conversion feature should be classified as a component of equity.

Going Concern

Management uses its judgment in determining whether the Company is able to continue as a going concern. Critical considerations take into account all available information about the future viability of anticipated return on its real estate investments and recoverability of such investments, the availability of capital financing, current working capital funds, market price of real estate, and the future commitment and obligations. Management has asserted that the Company is a going concern and that no material uncertainty exists as at December 31, 2018.

Classification of financial instruments

The Company makes judgments with respect to the classification of its investment.

m) Accounting Standards Adopted in 2018

IFRS 15 - Revenue from Contracts with Customers

The Company has adopted the new IFRS 15 standard "Revenue from Contracts and Customers" (IFRS 15) which was issued by the IASB on May 28, 2014, and which became effective on January 1, 2018 on a modified prospective basis as if the standard had always been in place. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The objective of IFRS 15 is to establish a single model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The adoption of the new standard did not have a material impact to the consolidated financial statements of net income and comprehensive income.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9") which replaced IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") effective January 1, 2018. IFRS 9 provides new guidance on the classification and measurement, impairment and hedge accounting for financial instruments in addition to clarification for the treatment of modifications of financial liabilities. IFRS 9 is required to be adopted retrospectively with certain available transition provisions. The adoption of this standard did not have any significant impact on the combined financial statements for the current or prior years.

Classification and measurement:

IFRS 9 requires a new approach for the classification and measurement of financial assets based on the Company's business models for managing these financial assets and their contractual cash flow characteristics. This approach is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that solely represent payments of principal and interest are measured at amortized cost.
- Assets held within a business model where assets are both held for the purpose of collecting contractual cash flows or sold prior to maturity and the contractual cash flows solely represent payments of principal and interest are measured at fair value through other comprehensive income ("FVTOCI").
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest are measured at fair value through profit or loss ("FVTPL").

The Company completed its review of all financial instruments held and performed a cash flow and business model assessment, and the impact is summarized as follows:

- The classification of Investments as Available for Sale ("AFS") under IAS 39 has been renamed to Fair Value through Other Comprehensive Income ("FVOCI"). The Investments previously classified as Available for Sale were still measured at fair value, thus there was no material impact from the adoption of IFRS 9.

The following summarizes the Company's classification and measurement of its financial assets and liabilities:

| | Classification and Measurement Basis |
|--------------------------|---|
| Financial assets | |
| Accounts receivable | Amortized Cost |
| Cash | Amortized Cost |
| Due from related parties | Amortized Cost |
| Loan receivable | Amortized Cost |
| Investments | Fair Value through Other Comprehensive Income |

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Financial liabilities

| | |
|--|----------------|
| Debentures | Amortized Cost |
| Accounts payable and accrued liabilities | Amortized Cost |
| Due to related parties | Amortized Cost |
| Financial lease payable | Amortized Cost |

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income or cost over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Convertible debentures

The component parts of compound instruments (convertible debentures) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished on conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital.

When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to contributed surplus. No gain or loss is recognized in the statement of income and comprehensive income upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

Impairment

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed at the cash generating unit which occurs at the mineral property level. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

n) Future Accounting Standards*IFRS 16 – Leases*

On January 13, 2016, the IASB issued a new standard IFRS 16 Leases ("IFRS 16"). This new IFRS standard is effective for annual periods beginning January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" which introduces changes to lease accounting whereby many of the leases previously accounted for as operating leases will now need to be accounted for as capital leases. IFRS 16 superseded IAS 17-Leases and related interpretations. Upon adoption of IFRS 16, the Company expects the adjustments to the consolidated financial statements will be required because of adopting IFRS 16. The Company's current office space lease will result in the recognition of the right of use asset and the corresponding lease liability (note 18).

4. OTHER RECEIVABLES

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---------------------------------|--------------------------|--------------------------|
| HST taxes and other tax credits | \$ 64,491 | \$ 11,199 |
| Due from CIM Mackenzie Creek LP | 2,000,000 | - |
| Other receivable | 1,426,313 | - |
| | <hr/> | <hr/> |
| Total | \$ 3,490,804 | \$ 11,199 |

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

5. LOAN RECEIVABLE

| | December 31, 2018 | December 31, 2017 |
|-----------------------------|----------------------|-------------------|
| Balance – beginning of year | \$ – | \$ – |
| Issued in the year | <u>10,000,000</u> | <u>–</u> |
| Balance – end of year | <u>\$ 10,000,000</u> | <u>\$ –</u> |

During the year 2018, the Company provided a three-year loan in the amount of \$10,000,000 bearing interest at a rate of 20% per annum (the "Investment") to Bayview Creek (CIM) LP, the beneficial owner of the Bayview Creek residential development project located at 10747 Bayview Avenue, Richmond Hill, Ontario maturing June 27, 2021. The Company raised gross proceeds via a Private Placement, to fund this loan receivable, by issuing three-year term secured debentures in the amount of \$10,000,000 bearing interest at a rate of 13.5% per annum payable semi-annually. The Private Placement and the Investment were considered "related party transactions" as (i) Jiubin Feng, one of the directors and senior officers of the Company, is also a director and officer of the general partner of Bayview Creek (CIM) LP and (ii) the general partner of Bayview Creek (CIM) LP is also the general partner of one of the insiders of the Company, namely CIM Investment & Development LP.

During the year ended December 31, 2018, the Company recorded interest income totaling \$1,292,082 with respect to the note receivable from Bayview Creek (CIM) LP, a related company (Dec 31, 2017 - \$nil).

6. PROPERTY AND EQUIPMENT

| | December 31, 2018 | December 31, 2017 |
|---------------------------------|-------------------|-------------------|
| Office equipment and furniture | \$ 104,346 | \$ 104,346 |
| Computer equipment and software | 65,430 | 33,955 |
| Leasehold improvements | 19,286 | 19,286 |
| Software | <u>7,500</u> | <u>7,500</u> |
| Total | 196,562 | 165,087 |
| Accumulated depreciation | <u>(112,406)</u> | <u>(64,576)</u> |
| Net book value | <u>\$ 84,156</u> | <u>\$ 100,511</u> |

During the year ended December 31, 2018, the Company acquired a total of \$31,475 of property and equipment assets (\$Nil - Dec 31, 2017) and did not dispose of any property and equipment assets in the year ended December 31, 2018 (\$Nil - Dec 31, 2017).

7. INVESTMENTS

| | December 31, 2018 | December 31, 2017 |
|---|----------------------|----------------------|
| Investment in CIM Mackenzie Creek LP – FVTOCI | \$ 10,000,000 | \$ 10,909,090 |
| Investment in Victoria House Retirement Home – FVTOCI | <u>352,400</u> | <u>352,400</u> |
| Total | <u>\$ 10,352,400</u> | <u>\$ 11,261,490</u> |

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Investment in CIM Mackenzie Creek LP**As at December 31, 2016**

In April 2016, the Company completed the securities exchange with the CIM Parties and acquired 10M Class A Units in a new limited partnership named CIM Mackenzie Creek Limited Partnership in exchange for 40M common shares in the capital of the Company at a price of \$0.25 per consolidated share on a post-consolidated basis totaling \$10M (referred to as the "Transaction"). The Company measured \$10 million investment in CIM Mackenzie Creek LP at fair value both at the transaction date and as of December 31, 2016. The fair value of the investment at the transaction date was \$12,745,286 which resulted in a day one level three gain of \$2,745,286 which is to be recognized through profit and loss over time and any changes in fair value only to the extent that it arises from a change in factors that market participants would take into account in accordance with IAS 39 should be recognized through Other Comprehensive Income.

The Company recorded income of \$1,333,333 partially relating to the amortization of the deferred gain of \$610,064, and partially relating the income earned on that investment of \$723,270. The change in the fair value attributable to Other Comprehensive Income was \$357,373.

The investment was initially designated upon inception as available for sale and recorded at fair value of \$12,745,286. This resulted in a day 1 gain of \$ 2,745,286 which was deferred and will be recognized into profit and loss over the term of the investment. This resulted in \$610,064 being recognized in income for the ten-month period ended December 31, 2016. At December 31, 2016, the fair value of the investment was \$11,777,850.

The Company recognized \$723,270 in income, and unrealized gains and losses of \$357,372 recognized in Other Comprehensive Income. The Company received cash \$2 million during ten-month period ended December 31, 2016 and as a result of, the Company recorded a deferred gain of \$666,667.

As at December 31, 2017

The Company recorded income of \$2,000,000 consisting of the amortization of the deferred gain of \$915,095 and income earned on that investment of \$1,084,905. The change in the fair value of the investment attributable to Other Comprehensive Income was an increase of \$46,332 for the year ended December 31, 2017.

As at December 31, 2018

The Company recorded income of \$2,000,000 to be collected in the period 2019. Income is partially related to the amortization of the deferred gain of \$915,095 and partially related income earned on that investment of \$1,084,905. The change in the fair value of the investment attributable to Other Comprehensive Income was an increase of \$6,005 for the year ended December 31, 2018.

In calculating the fair value, management was required to make several assumptions concerning, but not limited to, cash flows and discount rates. All assumptions resulted in a fair value that is considered within the level 3 category of the fair value hierarchy. In particular, the Company used a discounted cash flow approach in the determination of the fair value which utilized cash flow projections based on financial forecasts prepared by Company management covering a period of 2 years and 2 months, and a discount rate of 10%.

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

On August 2, 2018, the Company executed an Extension Agreement in connection with the securities exchange for the 10M Class A units of CIM Mackenzie Creek Limited Partnership. As of the date of the agreement, CIM Invests Development Inc., on behalf of CIM Mackenzie Creek Limited Partnership, granted to CIM International Group Inc. the right to require CIM Mackenzie Creek Limited Partnership to redeem, and agreed to extend the redemption right for, an aggregate of 10,000,000 Class A Units to February 6, 2021.

Investment in Victoria House Retirement Home

During the year ended December 31, 2017, the Company invested in the "Victoria House Retirement Home" ("Victoria House"), a retirement home located in Orillia, Ontario. CIM invested \$352,400 directly in the common shares of Canadian China Ageing Development Inc. ("CCAD") representing 8.045% of CCAD's shares. CCAD is the facilities manager of the Victoria House. This investment was initially designated upon inception as, and recorded at FVOCI. Due to its recent purchase, the Company kept the investment at cost which approximates the fair value.

8. ASSET HELD FOR SALE

December 31, 2018 December 31, 2017

| | | |
|------------------------------------|--------------|--------------|
| Investment in CIM Hwy & Holding LP | \$ 2,072,727 | \$ 1,500,000 |
|------------------------------------|--------------|--------------|

On May 23, 2017, the Company invested in the "Bur Oak" residential and commercial real estate project located at 6910 Hwy 7 and Ninth Line in Markham, Ontario. The Bur Oak project is a 3-Phase project on a 20-acre site which is planned to include 140 residential townhouses, 575 condominium units and 50,000 sq. feet of commercial space in separate developments over a 6-year timeframe. The Company invested \$1,200,000, which was transferred from a loan receivable of \$1,200,000 in the account, directly in limited partnership units in the capital of CIM Hwy 7 Holding LP, and which effectively represents a 27.3% interest in the Bur Oak project. This project is moving forward with all the various studies, processes and approvals required for the development of the project.

As at December 31, 2018 and December 31, 2017, the CIM Hwy 7 Holding LP on a gross basis includes the following:

December 31, 2018 December 31, 2017

| | | |
|-------------------------|---------------------|---------------------|
| Current assets | \$ 74,452 | \$ 853,840 |
| Non-current assets | 7,725,549 | 4,846,368 |
| Current liabilities | | (200,208) |
| Non-current liabilities | | |
| Net Equity | <u>\$ 7,800,000</u> | <u>\$ 5,500,000</u> |

As at December 31, 2018, the Company has classified its investment in CIM Hwy 7 Holding LP as an Asset Held for Sale as the Company is exploring the sale of its interest in this property in 2019.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATES

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| (a) Investment in CIM Development LP | \$ - | \$ 2,000,000 |
| (b) Investment in CIM Homes Inc. | - | 55,263 |
| (c) Investment in CIM Port McNicoll Holding LP | 3,577,500 | 2,011,500 |
| Net Equity | <u>\$ 3,577,500</u> | <u>\$ 4,066,763</u> |

- (a) On November 28, 2016, the Company invested in the Valleyview Garden residential real estate project located at 3000-3020 Kennedy Road in Scarborough, Ontario. The Valleyview Garden Project is a 4.3 acres site of developable residential real estate land in the City of Toronto. The development proposal application, which has been submitted to the City of Toronto, is for 42 freehold newly constructed single detached residential housing units. The Company invested in limited partnership units in the capital of CIM Development LP, which beneficially owns the Valleyview Garden real estate project, representing a 21% interest in the limited partnership, at an investment cost of \$2 million.

As at December 31, 2017, CIM Development LP on a gross basis includes the following:

| | <u>December 31, 2017</u> |
|-------------------------|--------------------------|
| Current assets | \$ 3,357,373 |
| Non-current assets | 21,153,606 |
| Current liabilities | (510,979) |
| Non-current liabilities | <u>(14,500,000)</u> |
| Net Equity | <u>\$ 9,500,000</u> |

On December 31, 2018, the Company sold its interest in CIM Development LP for total proceeds of \$2,000,000 and recorded no gain or loss on the transaction. The \$2,000,000 of total proceeds are comprised of a \$600,000 cash settlement, and a \$1,400,000 promissory note. The Company has recorded the \$1,400,000 within Other Receivables on the Consolidated Statement of Financial Position.

- (b) During the year ended December 31, 2017, the Company invested in 20% of CIM Homes Inc. by acquiring 200 common shares issued at \$1 per share. CIM Homes Inc. is a real estate development company which develops residential and commercial real estate projects.

As at December 31, 2018 and December 31, 2017, CIM Homes Inc. on a gross basis includes the following:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-------------------------|--------------------------|--------------------------|
| Current assets | \$ - | \$ 334,440 |
| Non-current assets | - | 1,077,772 |
| Current liabilities | - | (1,144,854) |
| Non-current liabilities | - | - |
| Net Equity | <u>\$ -</u> | <u>\$ 267,358</u> |

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

| | December 31, 2018 | December 31, 2017 |
|---------------------------|-------------------|-------------------|
| Revenues | \$ 6,000 | \$ 684,000 |
| Expenses | 2,945 | (408,687) |
| Net income for the period | <u>\$ 3,055</u> | <u>\$ 275,313</u> |

During the year ended December 31, 2018, the Company recorded \$611 (Dec 31, 2017: \$55,063) of associate's post-acquisition profit. Effective May 31, 2018, the Company sold its 20% shares in CIM Homes Inc. to Jiubin Feng, a related party, for \$200 and a total of share of associates loss for the year was recorded at \$54,863 as a result.

- (c) During the year ended December 31, 2017, the Company invested in the Port McNicoll residential real estate project located near the town of Port McNicoll, Ontario on the southern shore of Georgian Bay. The project is in the development stage on a 1,126-acre site which is planned to include up to 1,500 residential homes. The Company invested \$2,011,500, in limited partnership units in the capital of Port McNicoll Holding LP, and which effectively represents a 30.0% interest in the Port McNicoll project.

As at December 31, 2018 and December 31, 2017, CIM Port McNicoll Holding LP on a gross basis includes the following:

| | December 31, 2018 | December 31, 2017 |
|-------------------------|----------------------|---------------------|
| Current assets | \$ 956,975 | \$ 472,922 |
| Non-current assets | 44,068,150 | 43,068,198 |
| Current liabilities | (2,865) | (43,339) |
| Non-current liabilities | (31,823,883) | (38,028,459) |
| Net Equity | <u>\$ 13,198,377</u> | <u>\$ 7,475,341</u> |

10. CONVERTIBLE DEBENTURES

| | December 31, 2018 | December 31, 2017 |
|------------------------------------|-------------------|-------------------|
| Balance – beginning of the year | \$ — | \$ 180,000 |
| Less: principal repaid in the year | <u>—</u> | <u>(180,000)</u> |
| Balance – end of the year | <u>\$ —</u> | <u>\$ —</u> |

On December 5, 2013, the Company issued convertible debentures with a face value of \$280,000 through a non-brokered private placement financing. The convertible debentures bore interest at a rate of 8% per annum paid semi-annually during May and November each year, were unsecured, and with a maturity date of December 5, 2016.

Each debenture was convertible into common shares of the Company at the holder's option at any time prior to the maturity date at a conversion price of \$1.75 per common share (post-consolidation). The convertible debentures were compound financial instruments consisting of the debt instrument and the equity component feature. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 10.28% over the life of the debenture of three years.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

The gross proceeds were allocated between the debt instrument in the amount of \$265,371 and to the equity component for \$14,629. The accreted interest for the debenture for the year ended December 31, 2017 was \$Nil (December 31, 2016: \$12,522). Effective December 5, 2016, a total of \$50,000 in principal of the convertible debentures were repaid and \$50,000 was settled against an amount due to a related company. A total of \$180,000 in principal of the convertible debentures were extended for a term of one year to December 5, 2017 with all other terms and conditions remaining unchanged. In December 2017, the balance of \$180,000 in principal of the convertible debentures and the accrued interest of \$14,400 for the year were repaid in full.

11. DEBENTURE

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---------------------------------|--------------------------|--------------------------|
| Debenture issued in the year | \$ 10,000,000 | \$ - |
| Issue costs – less amortization | <u>(579,661)</u> | <u>-</u> |
| Balance – end of year | <u>\$ 9,420,339</u> | <u>\$ -</u> |

During the year 2018, the Company raised aggregate gross proceeds of \$10,000,000 by issuing three-year term secured debentures bearing interest at a rate of 13.5% per annum payable interest only semi-annually (the "Debenture") on a non-brokered Private Placement basis (the "Private Placement"). The Debenture is due by August 2, 2021, and are secured by 10,000,000 Class A limited partner units owned by the Company in the capital of CIM Mackenzie Creek Limited Partnership.

The net proceeds of the Private Placement were used to purchase a three-year term secured debenture bearing interest at a rate of 20% per annum payable semi-annually (the "Investment") from Bayview Creek (CIM) LP, the beneficial owner of the Bayview Creek residential development project located at 10747 Bayview Avenue, Richmond Hill, Ontario. The Company paid a finder's fee equal to four percent (4%) of the gross proceeds of the Private Placement raised from investors referred to the Company by the finders.

The Private Placement and the Investment (collectively, the "Transactions") were considered "related party transactions" as (i) Jiubin Feng, one of the directors and senior officers of the Company, is also a director and officer of the general partner of Bayview Creek (CIM) LP and (ii) the general partner of Bayview Creek (CIM) LP is also the general partner of one of the insiders of the Company, namely CIM Investment & Development LP.

The Company incurred a total of \$749,038 issued costs in connection with the issuance of the Debentures and amortized a total of \$169,377 of these costs as at December 31, 2018. During the year ended December 31, 2018, the Company incurred interest expense of \$962,703 regarding the Debentures.

12. FINANCE LEASE PAYABLE

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|--------------------------|--------------------------|
| Finance lease payable | \$ 39,296 | \$ 27,027 |
| Less: Current portion | <u>17,572</u> | <u>16,932</u> |
| Finance lease payable - Long term portion | <u>\$ 21,724</u> | <u>\$ 10,095</u> |

CIM International Group Inc.
Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

The finance lease payable bears interest at rates of up to 13.9% per annum, are repayable in monthly instalments of principal and interest of \$1,599, are secured by capital assets, and mature up to July 2022.

As of December 31, 2018, the committed present value repayments of the finance lease on a fiscal year basis are as follows:

| | | |
|-------|----|---------------|
| 2019 | \$ | 17,572 |
| 2020 | | 7,657 |
| 2021 | | 8,586 |
| 2022 | | <u>5,481</u> |
| Total | \$ | <u>39,296</u> |

13. INCOME TAXES
a) Income tax expense

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings from continuing operations before taxes. These differences result from the following:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Income before taxes | \$ <u>234,844</u> | \$ <u>425,849</u> |
| Canadian statutory federal and provincial income tax rates | 26.5% | 26.5% |
| Income tax provision based on Canadian income tax rates | \$ <u>62,234</u> | \$ <u>112,850</u> |
| Non-deductible expenses | 1,857 | 6,083 |
| Pre-acquisition of control | - | - |
| Non-taxable portion of partnership draw | (265,000) | (265,000) |
| Other | 1,712 | 15,036 |
| Non-recognition of tax attributes | - | - |
| Income tax recovery | \$ <u>(199,197)</u> | \$ <u>(131,031)</u> |

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

b) Deferred tax assets (liabilities)

| | Balance January 1, 2018 | Recognized in Income | Recognized in Other Comprehensive Income | Balance December 31, 2018 |
|--------------------------------------|-------------------------------|-------------------------|---|---------------------------------|
| Non-capital losses | \$ 558,738 | \$ 201,309 | \$ - | \$ 760,047 |
| Share issuance cost | 6,707 | (5,586) | - | 1,121 |
| Debt Issuance Cost | - | 5,186 | - | 5,186 |
| Investment in CIM Mackenzie Creek LP | <u>(283,523)</u> | <u>(1,712)</u> | <u>(7,173)</u> | <u>(292,408)</u> |
| Total | <u>\$ 281,922</u> | <u>\$ 199,197</u> | <u>\$ (7,173)</u> | <u>\$ 473,946</u> |

c) Non-recognized net deductible temporary differences

The Company has total deductible temporary differences in total of \$3.9 million (Dec 31, 2017: \$3.9 million) for which no deferred tax asset has been recognized, comprised as follows:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|------------------------|--------------------------|--------------------------|
| Mine exploration costs | \$ 776,873 | \$ 776,873 |
| Share issuance costs | - | - |
| Non-capital losses | <u>3,207,761</u> | <u>3,207,761</u> |
| Total | <u>\$ 3,984,643</u> | <u>\$ 3,984,643</u> |

(i) As per Note 1, the Company underwent a securities exchange, which resulted in a change of control. As a result, the non-capital losses and mine exploration costs pre-acquisition are restricted in use. The Company has not recognized deductible temporary differences on these properties.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Income taxes (Continued)**d) Loss carry-forwards**

As at December 31, 2018, the Company has available non-capital losses in Canada of \$6.1 million related specifically to its mining business that if not utilized will expire as follows:

| | |
|-------------------|---------------------|
| 2031 (Restricted) | \$ 298,251 |
| 2032 (Restricted) | 413,076 |
| 2033 (Restricted) | 518,729 |
| 2034 (Restricted) | 441,280 |
| 2035 (Restricted) | 860,411 |
| 2036 (Restricted) | 666,697 |
| 2037 | 978,457 |
| 2038 | 1,129,987 |
| 2039 | 759,659 |
| | <u>\$ 6,066,547</u> |

14. SHARE CAPITAL

Authorized - Unlimited common shares with no par value

Issued, fully paid and outstanding

| | <u>Number of Shares</u> <u>(Post -Consolidation)</u> | <u>Amount</u> |
|----------------------------|---|----------------------|
| Balance, December 31, 2017 | <u>46,132,616</u> | <u>\$ 13,972,597</u> |
| Balance, December 31, 2018 | <u>46,132,616</u> | <u>\$ 13,972,597</u> |

Income (Loss) Per Share

The dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

15. OTHER CAPITAL RESERVES**a) Stock Options**

The Company established an incentive stock option plan (the "Plan") pursuant to which the Company may, from time to time, at the discretion of the directors to grant options to the directors, officers, technical consultants and employees of the Company to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. The number of common shares reserved for issuance to any individual director, officer or employee will not exceed five percent (5%) of the issued and outstanding common shares and will not exceed two percent (2%) for all technical consultants.

As at December 31, 2018, there were a total of 373,262 (December 31, 2017 – 372,262) vested stock options outstanding and the weighted average contractual life remaining of the balance of the outstanding stock options is 0.32 years (December 31, 2017: 1.33 years).

STOCK OPTIONS

| | Number of Stock Options | Weighted Average Exercise Price |
|------------------------------------|------------------------------------|--|
| Balance, January 1, 2017 | 373,262 | \$0.375 |
| Granted in the year | - | - |
| Cancelled or expired in the period | - | - |
| | <u>373,262</u> | <u>\$0.375</u> |
| Balance, December 31, 2017 | 373,262 | \$0.375 |
| Balance, December 31, 2018 | <u>373,262</u> | <u>\$0.375</u> |

b) Other Capital Reserves

| | <u>Amount</u> |
|--|----------------------|
| Balance, December 31, 2017 and December 31, 2018 | <u>\$ 624,183</u> |

16. FINANCIAL INSTRUMENTS**Fair Value**

On December 31, 2018, the carrying value of other receivables (excluding HST) and due from related parties, accounts payables and accrued liabilities, due to related parties, approximates their carrying value due to the short-term nature of these financial instruments. The fair value of cash and cash equivalents is based on Level 1 inputs. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities.

CIM International Group Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Fair Value Hierarchy

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2018, the Company's investments are measured as fair value and are categorized as level 3 fair value hierarchy as disclosed in Note 7.

Capital Management

The Company's capital management objectives are to safeguard its ability to continue to operate as a going concern. The Company considers items included in shareholder's equity to be capital. Its principal sources of cash are from the issuance of common shares and funding from related parties. The Board of Directors monitors the Company's capital position regularly. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares from time to time.

Risk Management

The Company is exposed to financial risks due to the nature of its business operations and the financial assets and liabilities it holds. The Company's primary risk management objective is to safeguard its cash flows, and to maintain a strong and efficient capital structure to provide liquidity to support continued asset growth.

The management of the Company monitors its overall cash position on a regular basis and forecasts its financial obligations so that it is able to meet these commitments. The Board of Directors meets regularly to review business operations, reviews of cash positions and budgets, monitors the status of its real estate investments, reviews compliance with contracts and commitments, and compliance with regulatory authorities.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

- a) *Market risk* - Market risk is the risk that the fair value or future cash flow from a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company believes that it is exposed to price risk related to real estate.
- b) *Credit risk* - Credit risk arises from cash and deposits with banks and financial institutions, and accounts receivables. To minimize the credit risk the Company places these instruments with a high credit quality financial institution, and monitors accounts receivable balances on a monthly basis for collectability.
- c) *Interest rate risk* - Interest rate risk is the risk that the future cash flows of the Loan to Bayview Creek LP and the Debenture will fluctuate because of changes in market interest rates..
- d) *Currency risk* - The Company operates in Canada and conducts its business operations in Canadian dollars only. As a result, the Company no foreign currency exposure with respect to its transactions denominated in Canadian dollars
- e) *Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity and debt financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs subject to certain restrictions imposed by the CSE. It is anticipated that the Company's existing cash balances, cash flow from operations, advances from related parties and debt financing will be sufficient to fund operations for the next twelve months. Refer to note 10 whereby the Company raised a total of \$10,000,000 gross proceeds from the issuance of three-year term secured debentures during the year.

All Company's financial liabilities except for as disclosed in notes 10 and 11, are due within three months to one year.

17. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018 and year ended December 31, 2017, the following are the related party transactions:

a) Due from related parties:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|--|--------------------------|--------------------------|
| Rent, cost, accounting service and other | \$ 22,776 | \$ 100,830 |
| CIM International Development Inc. | 89,900 | - |
| Bayview Creek (CIM) LP | 611,501 | - |
| Due from an Officer and Director | <u>30,428</u> | <u>-</u> |
| Total | <u>\$ 754,606</u> | <u>\$ 100,830</u> |

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Due to related parties:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-------------------------------|--------------------------|--------------------------|
| CIM Homes Marketing Inc. | \$ 1,201,644 | \$ 1,000,000 |
| Bayview Creek (CIM) LP | 7,352,306 | 3,663,327 |
| CIM Global Development LP | (537) | 2,544 |
| Due to Officers and Directors | <u>250,000</u> | <u>-</u> |
| Total | <u>\$ 8,803,413</u> | <u>\$ 4,665,871</u> |

- b) As at December 31, 2018, the Company owes CIM Home Marketing Inc. Inc., a related company, \$1,201,644 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company is related to an officer and director of this company.
- c) As at December 31, 2018, the Company owes Bayview Creek CIM LP., a related company, \$7,352,306 which is a 20% annual interest rate short-term loan payable on demand and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies. During the year, interest expense payable of \$800,000 was waived by Bayview Creek (CIM) LP by agreement. This resulted in a reduction to "Interest expense" and "Due to related parties" in the amount of \$800K each.
- d) As at December 31, 2018, the Company repaid \$1,611 to CIM Global Development LP., a related company, related to a non-interest short-term loan payable on demand in the amount of \$1074.06 and is presented as "Due to related parties" on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.
- e) During the year ended December 31, 2017, the Company acquired a 27.3% interest in CIM Hwy 7 Holding Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
- f) During the year ended December 31, 2017, the Company acquired a 30% interest in CIM Port McNicoll Holding Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
- g) During the year ended December 31, 2018, the Company issued a note receivable in the amount of \$10,000,000 to Bayview Creek (CIM) Limited Partnership (Notes 5 and 10) where the Chief Executive Officer of the Company has an interest in related companies.
- h) During the year ended December 31, 2018, the Company earned interest revenue totaling \$1,292,082 from Bayview Creek (CIM) LP (Dec 31, 2017 - \$Nil)
- i) During the year ended December 31, 2018, the Company earned accounting and financial services totaling \$115,000 charged to related companies (Dec 31, 2017 - \$255,000).

CIM International Group Inc.**Consolidated Financial Statements**

For the Years Ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

- j) During the year ended December 31, 2018, the Company charged related companies for the recovery of operating expenses totaling \$231,505 (Dec 31, 2017 - \$136,793).
- k) During the year ended December 31, 2018, the Company incurred interest expense totaling \$482,896 to related companies (Dec 31, 2017 - \$350,683).
- l) Effective May 31, 2018, the Company sold a 100% of its interest in CIM International Development Inc. to Jiubin Feng, the CEO of the Company for \$30,728 representing the estimated value at that time.
- m) Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- n) A summary of the key management compensation for the period comprises the following:

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|-----------------------|--------------------------|--------------------------|
| Salaries and benefits | \$ <u>383,746</u> | \$ <u>340,028</u> |

18. COMMITMENTS AND CONTINGENCIESLease Commitment

The Company is committed to the following office rental payments as at December 31, 2018:

| | <u>Rent Amount</u> |
|--------------------------------------|--------------------|
| Less than 1 year | \$ 276,310 |
| Greater than 1 and less than 5 years | 368,413 |
| Greater than 5 years | <u>-</u> |
| Total Commitment | \$ <u>644,723</u> |

The Company expects to recover approximately \$533,316 of this commitment from related companies.

19. SEGMENT

The Company currently operates in one business segment, which is real estate development for which all operating activities are conducted within Canada. As at December 31, 2018, the Company had \$16,000,627 (December 31, 2017 was \$16,828,253) of real estate non-current assets and recorded revenue of \$2,000,000 (December 31, 2017 was \$2,000,000) from its investment in real estate.

DUCA FINANCIAL SERVICES CREDIT UNION LTD.
Applicant

-and-

BAYVIEW CREEK (CIM) LP ET AL
Respondents

Court File No. CV-21-00665128-00CL

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding Commenced at
TORONTO

**APPLICATION RECORD
Volume 3 of 5
(returnable August 11, 2021)**

DEVRY SMITH FRANK *LLP*
Lawyers & Mediators
95 Barber Greene Road, Suite 100
Toronto, Ontario M3C 3E9

LAWRENCE HANSEN
LSO #41098W

Tel.: 416-449-1400/249-888-6626
lawrence.hansen@devrylaw.ca

Lawyers for the applicant Duca Financial
Services Credit Union Ltd.