

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations (the "MD&A") of Alpha Peak Leisure Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") is prepared for the three months and nine months ended September 30, 2017. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes thereto for the three months and nine months ended September 30, 2017 as well as the audited consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 of the Group. These unaudited interim condensed financial statements were prepared in accordance with International Financial Reporting Standards. The results of operations, business prospects and financial condition of the Group will be affected by certain risk factors described elsewhere in this document.

All dollar figures stated in this MD&A are expressed in Canadian dollars, unless otherwise specified. Information contained herein includes any significant developments to November 27, 2017.

Forward-looking statement

This MD&A includes certain forward-looking information and forward-looking statements (collectively "Forward-Looking Statements") concerning the future performance of the Group's business, operations and financial performance and condition, as well as management's objectives, strategies, beliefs and intentions. Forward-Looking Statements are frequently identified by such words as "may", "will", "plan", "expect", "anticipate", "estimate", "intend" and similar words referring to future events and results. Some of the Forward-Looking Statements in this MD&A are included in the section entitled "Outlook: Repositioning of business focus". Some of these Forward-Looking Statements express management's beliefs and intentions relating to the future operational direction of the Company, such as "we plan to add new revenue streams on top of our traditional revenue from tours and individual visitors"; "partner with local government, other surrounding tourist projects and hotels to do co-branding, bundle tickets"; "create new promotional activities and products for the existing and new visitor segments"; and "partner with online and offline platforms to expand the ticket selling distribution channels and brand recognition in public." Forward-Looking Statements are based on the current opinions and expectations of management based on currently available information. All Forward-Looking Statements are inherently uncertain and subject to a variety of risks and uncertainties, such as unfavorable weather conditions, natural disasters, competition from nearby scenic tourism areas, changes in the tourism promotion policies of Mainland China, acceptability of terms of arrangements with sponsors or local governments on new programs and initiatives, acceptability of our new programs and initiatives by the consumer audience that we are targeting, costs related to implementing new programs and initiatives to add new revenue streams, availability of working capital and financial resources to implement and sustain programs and initiatives once they have been started, changes in Chinese laws and regulations, all as described in various parts of this MD&A and the "Risk Factors" section below. Such Forward-Looking Statements are based on a number of assumptions, including but not limited to, information or statements concerning the Group's expectations for its ability to raise capital and meet the Group's obligations. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual events or results may differ materially from those expressed or implied in the Forward Looking-Statements. Investors are cautioned against placing undue reliance thereon. The Group undertakes no obligation to revise or update the Forward-Looking Statements, except as required by applicable law.

Overview

The principal activities of the Group are developing and operating Swallow Gully Scenic Area (“Swallow Gully”), a large scale tourist attraction site in Sichuan Province, the People’s Republic of China (the “PRC”).

The Company was incorporated on June 24, 2011 under the British Columbia Business Corporation Act and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “TSX-V”). On June 23, 2015, the Company completed the qualifying transaction (“Qualifying Transaction”) pursuant to the policies of the TSX-V through a private placement financing and an amalgamation with 1016772 B.C. Ltd (“6772BC”), a private limited company incorporated under the British Columbia Business Corporation Act. In connection with the closing of the Qualifying Transaction, 6772BC amalgamated with the Company to continue as an amalgamated company which continues in the name of the Company. Details of the Qualifying Transaction is stated in the consolidated financial statements of the Group for the years ended December 31, 2016 and 2015 dated April 22, 2017.

Third Quarter 2017 Operating Results

The Group’s revenue totaled \$392,025 for the third quarter, rose by 10.4% compared to \$355,240 in the prior year quarter. Excluding the item of construction services under a service concession arrangement, the adjusted revenue increased by \$152,898, which comprised 80.9% growth from admission ticket sales; 60.8% growth from attraction ticket sales, as well as 5.6% increase from bubble hotels business.

Total operating costs were \$1,791,879 in the third quarter, relative to \$1,428,968 in the prior year period. On an adjusted basis, total operating costs were 457.1% of total revenue in the third quarter of 2017 as compared to 549.0% in the second quarter of 2016. The improvement has been the result of higher sales revenue in the third quarter of 2017.

Net loss for the third quarter of 2017 increased by 22.7% to \$1,316,239 from \$1,072,497 for the third quarter of 2016. The increase was mainly due to the maintenance of attraction facilities in the third quarter of 2017.

Outlook: Repositioning of business focus

For 2017, we plan to add new revenue streams on top of our traditional revenue from tours and individual visitors and to align our sales and marketing efforts to the tourism policies to further promote Swallow Gully. Our sales and marketing effort will focus on the followings:

- Partner with local government, other surrounding tourist projects and hotels to do co-branding, bundle tickets. Selling and create tailor-made routes and programs to visitors, such as drive-in camping tourism, mountain sports tourism, Chinese medicine-related tourism.
- Partner with online and offline platforms to expand the ticket selling distribution channels and brand recognition in public.
- Continuously invest on infrastructures of the project in order to provide a better experience to the visitors.

After taking into account the status quo of the Swallow Gully Scenic Area, as well as the repositioning of business focus, the management has decided to suspend the cableway project for the time being. In spite of this, the application process provide the management with valuable experiences of obtaining approvals for such projects and enable us to have a head start once the condition is permitted.

Factors Affecting Results of Operations

Foreign Currency

Majority of the Group's revenue and expenses are denominated in Renminbi ("RMB") and generated through its wholly owned operating subsidiary, Gongga Terraferma Limited ("Gongga"), a company incorporated under the laws of the PRC, which is the developer and operator of Swallow Gully. Meanwhile, some of the Group's expenses are denominated in Hong Kong dollars ("HKD") and generated through its wholly owned subsidiary, Merit Sign Investments Limited, a company incorporated in Hong Kong, which provides management services to the Group. Accordingly, the results of operations are impacted by the fluctuation of RMB and HKD against Canadian dollars ("CAD"). The average exchange rate of RMB against CAD for the nine months ended September 30, 2017 and 2016 was RMB 1 = CAD 0.1915 and RMB 1 = CAD 0.1999, respectively. While that for HKD against CAD for the nine months ended September 30, 2017 and 2016 was HKD 1 = CAD 0.1670 and HKD 1 = CAD 0.1694, respectively.

Seasonality

The tourism business is seasonal in nature. Based on historical results, we generally expect our revenue to be lower during the first calendar quarter of each year than during each of the three subsequent quarters, with the second and third quarters producing the strongest revenue of the year.

Selected annual information

The financial results of the Group for the financial years ended December 31, 2016, 2015 and 2014 are summarized as follows:

	For the financial year ended and as at Dec 31, 2016	For the financial year ended and as at Dec 31, 2015	For the financial year ended and as at Dec 31, 2014
	\$	\$	\$
Total Revenue	1,647,025	1,060,314	1,824,240
Loss before tax			
(i) Total for the year	4,309,795	26,630,923	3,426,844
(ii) per share - basic	0.07	0.48	0.08
(iii) per share - fully diluted	0.07	0.48	0.08
Net Loss			
(i) Total for the year	4,263,282	26,589,321	3,393,013
(ii) per share - basic	0.07	0.48	0.07
(iii) per share - fully diluted	0.07	0.48	0.07
Total Assets	37,766,715	51,526,431	37,113,314
Total Non-current Liabilities	2,075,712	3,682,512	3,215,816
Distributions or Cash Dividends declared per-share	Nil	Nil	Nil

Results of Operations – Three Months and Nine Months Ended September 30, 2017 compared to September 30, 2016

Revenue

	3 months ended Sep 30,				9 months ended Sep 30,			
	2017	% of Total	2016	% of Total	2017	% of Total	2016	% of Total
	\$		\$		\$		\$	
Construction services under a service concession arrangement	-	0.0%	116,113	32.7%	-	0.0%	730,061	56.6%
Admission ticket sales	151,395	38.6%	83,673	23.6%	370,016	36.2%	219,829	17.1%
Attraction ticket sales	238,527	60.8%	154,450	43.5%	644,579	63.1%	335,707	26.0%
Others	2,103	0.6%	1,004	0.2%	6,241	0.7%	3,210	0.3%
Total	392,025	100.0%	355,240	100.0%	1,020,836	100.0%	1,288,807	100.0%
Less:								
Construction services under a service concession arrangement	-		(116,113)		-		(730,061)	
Adjusted total	392,025		239,127		1,020,836		558,746	
Number of visitors	29,055		15,991		77,419		40,037	
Spending per visitor (in \$)	13		15		13		14	

For the three months ended September 30, 2017, total revenue increased by 10.4% to \$392,025, compared to \$355,240 for the same period in the previous year. No revenue derived from the construction services under a service concession arrangement for the three months ended September 30, 2017, compared to \$116,113 for the three months ended September 30, 2016.

For the nine months ended September 30, 2017, total revenue decreased by 20.8% to \$1,020,836, compared to \$1,288,807 for the same period in the previous year. No revenue derived from the construction services under a service concession arrangement for the nine months ended September 30, 2017, compared to \$730,061 for the nine months ended September 30, 2016.

Revenue from construction services is accounted for in accordance with IAS 11 *Construction Contracts*. The exact same amount of revenue and cost is recognized by reference to the stage of completion for the construction in Swallow Gully as at and September 30, 2017 and September 30, 2016, according to IAS 11 (see note 5 to the unaudited interim condensed consolidated financial statements). As such, the revenue and cost from construction services will offset with each other. Excluding revenue from construction services, the adjusted revenue for the three months ended September 30, 2017 was \$392,025 compared to \$239,127 for the same period of prior year, reflecting an increase of \$152,898. The adjusted revenue for the nine months ended September 30, 2017 increased by 82.7% to \$1,020,836, compared to \$558,746 for the same period in the previous year. The increase was attributed to the increase in the number of visitors, compared to the same period in prior year.

Swallow Gully attracted 29,055 and 77,419 visitors for the three months and nine months ended September 30, 2017, compared to 15,991 and 40,037 visitors for the same period in prior year, respectively. With the success in marketing and promotion, the overall monthly visits increased, compared to the same period of 2016. In particular, the number of visitors in the peak tourism season in Aug 2017 increased dramatically, which pulled up the percentage of increase in the number of visitors visiting Swallow Gully, which nearly doubling the number of visits in the first three quarters of 2017.

The spending per visitor for the three months and nine months ended September 30, 2017 was \$13, compared to \$15 and \$14 for the same period the previous year, respectively. The slight decrease in spending per visitor in the third quarter of 2017 was due to the increase in sales of senior admission tickets. The admission tickets for seniors are half of the normal ticket price, while 79% of the visitors during the third

quarter in 2017 were seniors. With the increasing base of senior visitors, this resulted to a lower margin per ticket sale and a decline in spending per visitor.

Cost of Sales/Services

	3 months ended Sep 30,				9 months ended Sep 30,			
	2017	% of Total	2016	% of Total	2017	% of Total	2016	% of Total
	\$		\$		\$		\$	
Provision of construction services under a service concession arrangement	-	0.0%	116,113	21.8%	-	0.0%	730,061	37.1%
Amortization of intangible assets	63,865	10.8%	67,031	12.6%	193,149	12.2%	202,587	10.3%
Depreciation	158,876	27.0%	132,095	24.7%	487,887	30.9%	401,192	20.4%
Salary	75,980	12.9%	85,114	15.9%	222,659	14.1%	242,373	12.3%
Insurance expenses	20,846	3.5%	16,266	3.0%	53,906	3.4%	46,262	2.4%
Transportation	67,464	11.4%	48,720	9.1%	174,979	11.1%	147,844	7.5%
Sales rebate and others	202,436	34.4%	68,480	12.9%	444,379	28.3%	194,940	10.0%
Total	589,467	100.0%	533,821	100.0%	1,576,959	100.0%	1,965,261	100.0%
Less:								
Provision of construction services under a service concession arrangement	-		(116,113)		-		(730,061)	
Adjusted total	589,467		417,708		1,576,959		1,235,200	

Cost of sales/services increased by \$55,646 to \$589,467 for the three months ended September 30, 2017 compared to \$533,821 for the same period in the previous year. Excluding this portion in provision of construction services, the adjusted cost of sales/services increased by 41.1% to \$589,467 for the three months ended September 30, 2017, compared to \$417,708 for the same period in prior year.

Cost of sales/services decreased by \$388,302 to \$1,576,959 for the nine months ended September 30, 2017 compared to \$1,965,261 for the same period in the previous year. Excluding this portion in provision of construction services, the adjusted cost of sales/services increased by 27.7% to \$1,576,959 for the nine months ended September 30, 2017, compared to \$1,235,200 for the same period in prior year. The increase was in line with the growth in adjusted revenue.

Gross Loss

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Gross loss	197,442	178,581	10.6%	556,123	676,454	-17.8%

Gross loss for the three months ended September 30, 2017 increased by \$18,861 to \$197,442, from \$178,581 for the same period in prior year. The incline of gross loss was due to an increase in administrative expenses on preserving the environment in the third quarter. Gross loss for the nine months ended September 30, 2017 decreased by \$120,331 to \$556,123 from \$676,454 for the same period in previous year. The reason of decrease was due to the increase of revenue with the increasing number of visitors throughout the three quarters in 2017.

Other Income

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Other income	44,399	37,660	17.9%	130,937	114,645	14.2%

Other income consists of imputed interest income on advances to a local authority, Hailuogou Authority (see note 6 to the unaudited interim condensed consolidated financial statements), which was advanced in prior years, bank interest income and sundry income. Other income increased by \$6,739 to \$44,399 for the three months ended September 30, 2017 from \$37,660 for the same period in prior year. Other income increased by \$16,292 to \$130,937 for the nine months ended September 30, 2016, compared to the same period in prior year.

Marketing Expenses

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Marketing expenses	372,126	238,473	56.0%	1,139,497	922,351	23.5%

Marketing expenses increased 56.0% to \$372,126 for the three months ended September 30, 2017 from \$238,473 for the same period in prior year. Marketing expenses increased 23.5% to \$1,139,497 for the nine months ended September 30, 2017, compared to the same period of prior year. The increase was mainly due to the new marketing initiatives with media and press release in promoting Swallow Gully, new programs and events were created such as camping and hiking activities, targeting to promote awareness of the scenic sites and increase visitation.

Administrative Expenses

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Administrative expenses	806,330	631,330	27.7%	2,393,313	1,828,962	30.9%

Administrative expenses primarily consist of director fees, professional fees, salaries and benefits, hydro and electricity and entertainment expenses.

Administrative expenses increased by \$175,000 to \$806,330 for the three months ended September 30, 2017 from \$631,330 for the same period in prior year. Administrative expenses increased by \$564,351 to \$2,393,313 for the nine months ended September 30, 2017 from \$1,828,962 for the same period in prior year. The increase was mainly due to the preserving costs on environment and improving tourism facilities within the scenic area.

Other Gain and Loss

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Foreign exchange gain (loss), net	39,216	(48,944)	180.1%	118,856	679,646	-82.5%

Other gain comprises net foreign exchange gain. Net exchange gain increased by \$88,160 to \$39,216 for the three months ended September 30, 2017 from a net exchange loss of \$48,944 for the same period in prior year. Net exchange gain decreased by \$560,790 to \$118,856 for the nine months ended September 30, 2017, compared to the same period in prior year. The fall in exchange gain for the nine months ended September 30, 2017 was mainly due to the gradual depreciation of RMB in relation to CAD and HKD during the three quarters in 2017.

Income Tax Credit

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Current tax	-	-	N/A	-	-	N/A
Deferred tax - current period	-	12,515	-100.0%	-	33,726	-100.0%

The statutory income tax rates were 26%, 16.5% and 25% in Canada, Hong Kong and the PRC, respectively. No provision for current income tax has been made for operations in Canada, Hong Kong and the

PRC as the operations had no assessable profit for the three months and nine months ended September 30, 2017 and 2016.

Net Loss

	3 months ended Sep 30,			9 months ended Sep 30,		
	2017	2016	Increase (decrease)	2017	2016	Increase (decrease)
	\$	\$		\$	\$	
Net loss	1,316,239	1,072,497	22.7%	3,914,260	2,675,967	46.3%
Add:						
Non-cash unrealized exchange gain (loss)	(97)	(48,944)		101,527	679,646	
Adjusted net loss	1,316,142	1,023,553	28.6%	4,015,787	3,355,613	19.7%

Net loss increased by 22.7% to \$1,316,239 for the three months ended September 30, 2017, compared to \$1,072,497 for the same period in prior year. Net loss increased by 46.3% to \$3,914,260 for the nine months ended September 30, 2017, compared to the same period in prior year. Excluding the non-cash unrealized exchange gain (loss), the adjusted net loss increased by 28.6% to \$1,316,142 for the three months ended September 30, 2017, compared to \$1,023,553 for the same period in prior year. Adjusted net loss increased by 19.7% to \$4,015,787 for the nine months ended September 30, 2017, compared to the same period in prior year. The increase was mainly due to the increase in marketing expenses and administrative expenses as mentioned above.

Summary of Quarterly Results

The financial results for each of the eight most recently completed quarters are summarized as follows:

	3 months ended Sep 30, 2017	3 months ended Jun 30, 2017	3 months ended Mar 31, 2017	3 months ended Dec 31, 2016
	\$	\$	\$	\$
Total Assets	34,815,799	35,297,714	36,508,883	37,766,715
Working Capital	3,429,149	3,048,629	4,855,616	6,004,692
Equity	30,626,940	30,994,152	32,633,398	33,799,199
Total Revenue	392,025	465,620	163,191	358,218
Loss before tax				
(i) Total for the period	1,316,239	1,419,166	1,178,855	1,600,102
(ii) per share - basic	0.02	0.02	0.02	0.02
(iii) per share - fully diluted	0.02	0.02	0.02	0.02
Net Loss				
(i) Total for the period	1,316,239	1,419,166	1,178,855	1,587,315
(ii) per share - basic	0.02	0.02	0.02	0.02
(iii) per share - fully diluted	0.02	0.02	0.02	0.02

	3 months ended Sep 30, 2016	3 months ended Jun 30, 2016	3 months ended Mar 31, 2016	3 months ended Dec 31, 2015
	\$	\$	\$	\$
Total Assets	45,811,167	46,704,426	48,342,722	51,526,431
Working Capital Equity	7,555,246	8,521,125	10,392,610	11,847,412
	40,757,077	41,456,551	43,348,148	46,525,476
Total Revenue	355,240	570,596	362,971	343,002
Loss before tax				
(i) Total for the period	1,085,012	1,155,886	468,795	1,278,073
(ii) per share - basic	0.02	0.02	0.01	0.02
(iii) per share - fully diluted	0.02	0.02	0.01	0.02
Net Loss				
(i) Total for the period	1,072,497	1,145,545	457,925	1,267,206
(ii) per share - basic	0.02	0.02	0.01	0.02
(iii) per share - fully diluted	0.02	0.02	0.01	0.02

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Group's financial commitments and obligations as they fall due. The Group believes that it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year. The Group's main source of funds is from admission and attraction ticket sales and cash on hand. The Group's use of funds is primarily for its operating expenses and investment in property, plant and equipment.

	<u>3 months ended Sep 30,</u>		<u>9 months ended Sep 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$	\$
Net cash used in operating activities	(729,857)	(1,036,985)	(2,534,557)	(2,598,618)
Net cash used in investing activities	(79,836)	(205,005)	(661,516)	(625,732)
Net cash from financing activities	1,496,549	-	1,496,549	-
Effects of foreign exchange rate changes on cash	(193,617)	186,084	(460,014)	(607,875)
Net (decrease) increase in cash	493,239	(1,055,906)	(2,159,538)	(3,832,225)
Working capital	3,429,149	7,555,246	3,429,149	7,555,246

The net cash used in investing activities for the three months ended September 30, 2017 consists of the acquisition of property, plant and equipment with an amount of \$106,356 and net payment for investments of \$79,836, offset by the bank interest income of \$5,225 and mature of time deposits of \$21,295. The net cash from investing activities for the same period in prior year consists of an amount of \$212,139 in acquisition of property, plant and equipment offset by the bank interest income of \$7,134.

The net cash used in investing activities for the nine months ended September 30, 2017 included the acquisition of property, plant and equipment with an amount of \$657,814 and net payment for investments of \$661,516, offset by the bank interest income of \$11,182 and net placement of time deposits of \$14,884. The net cash from investing activities for the same period in prior year included of an amount of \$649,656 in acquisition of property, plant and equipment offset by the bank interest income of \$23,924.

The net cash used in financing activities for the three and nine months ended September 30, 2017 consisted of net proceed from non-brokered private placement financing (the "Financing") with an amount of \$1,731,509, offset by the repayment of interest of loan due to a shareholder. On September 14, 2017, the Group issued 7,730,593 common shares through Financing with Ms. Zhao Yuxiu, at a subscription price of \$0.225 per common share.

Effects of foreign exchange rate changes on cash represent the unrealized exchange loss arising on translation of bank balance of foreign subsidiaries, of which the functional currency is other currencies than CAD, the Group's presentation currency.

Working capital decreased by \$4,126,097 from \$7,555,246 as at September 30, 2016 to \$3,429,149 as at September 30, 2017 mainly due to the continued increasing operating loss.

Capital Expenditures

The Group's capital expenditures primarily relate to its investment in the property, plant and equipment required in its business operations. The management expects to use a portion of the net proceeds from the Qualifying Transactions to further invest in capital expenditures.

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Related Party Balances and Transactions

As at September 30, 2017, the Group had no balance due to a shareholder, CN Lifestyle Limited (December 31, 2016: Current: \$201,277 and non-current \$2,075,712). The Group had non-current and current balance due to related parties, Mr. Chong Hok Shan, Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles, of \$1,908,669 and \$23,858 (December 31, 2016: nil), respectively. On September 1, 2017, the right of receiving the loan principle and all its interest accrued is agreed to assign to Mr. Chong Hok Shan, Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles, who have controlling interests in one of the Company's corporate shareholders.

Management fee payable to a related party, CN Group Limited, of which the controlling shareholder was the same as one of the Company's corporate shareholders.

The Group had the following transactions with a shareholder and a related party:

	3 months ended September 30, 2017		9 months ended September 30, 2017	
	2017	2016	2017	2016
	\$	\$	\$	\$
Interest paid to a shareholder	-	25,344	70,976	76,217
Interest paid to related parties	25,053	-	25,053	-
Management fee paid to a related party	10,021	10,138	30,064	30,488

Financial Instruments and Other Instruments

The Group held cash of \$5.6 million on its interim condensed consolidated statement of financial position as at September 30, 2017 and held time deposits amounted to \$14,884. The Group does not currently utilize any other instruments such as derivative financial instruments to reduce its exposure. All the Group's financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost.

The Group, through its financial instruments, is exposed to various risks as discussed below.

Currency risk

The Group's foreign currency risk exposure is mainly derived from bank balances, amount due to a shareholder and loan from a shareholder denominated in foreign currency. The management monitors foreign exchange fluctuation by closely monitoring the movement of foreign currency rate. The carrying amounts of the Group's foreign currency denominated bank balances were \$0.6 million and \$4.9 million as at September 30, 2017 and December 31, 2016, respectively, and liabilities were \$4.2 million and \$4.0 million as at September 30, 2017 and December 31, 2016, respectively.

Management expects a controlled, gradual depreciation on RMB against other major currencies including CAD in the year 2017. This may have minimal unfavorable effects on our results of operations for the year ending December 31, 2017 as majority of the Group's revenues and assets are in RMB denomination.

Interest rate risk

Fluctuation in interest rate could impact the results of operations of the Group. The Group is exposed to cash flow interest rate risk in relation to the bank balances and loan from a shareholder. Interest rate risk is concentrated on the fluctuation of the Hong Kong Prime rate for all periods' presented. The Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. Management monitors this risk on ongoing basis and will consider hedging interest rate should the need arises.

Credit risk

As at September 30, 2017 and December 31, 2016, the balance that is subject to significant concentration of credit risk is the advances to a local authority. Management of the Group considered the credit risk on this balance is limited because Gongga had entered into a 40-year service concession arrangement with the local authority in 2007 (see note 5 to the unaudited interim condensed consolidated financial statements). As at September 30, 2017 and December 31, 2016, the Group's maximum exposure to credit risk which will cause financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that its credit risk is significantly reduced. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Outstanding Shares and Share Options Information

As at December 31, 2016 and at the date of this MD&A, the Company had 64,346,480 common shares, 675,000 share options for a total of 65,021,480 fully diluted common shares outstanding.

On September 14, 2017, Alpha Peak issued 7,730,593 common shares through Financing with Ms. Zhao Yuxiu, at a subscription price of \$0.225 per common share. As at September 30, 2017 and at the date of this MD&A, the Company had 72,077,073 common shares, 675,000 share options for a total of 72,752,073 fully diluted common shares outstanding.

Critical Accounting Policies and Estimates

This MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto for the years ended December 31, 2016 and 2015 of the Group. Note 2 to the audited consolidated financial statements outlines the significant accounting principles and policies used to prepare these consolidated financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position.

The key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Estimated impairment of advances to a local authority

When there is objective evidence of impairment loss, management of the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment on advances to a local authority is considered necessary for the three months and nine months ended September 30, 2017 and 2016.

Valuation of property, plant and equipment

Attractions and improvement and buildings included in the property, plant and equipment were revalued based on income approach. The management concluded that there was no material difference between the fair value of the property, plant and equipment measured at revaluation basis and their carrying amounts as of September 30, 2017, accordingly, no revaluation is performed for these assets.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying value would be written down to the recoverable amount and the amount of the write-down would be charged against the revaluation reserve in other comprehensive income or results of operations, according to the accounting policies of the Group.

Amortization and impairment assessment of concession intangible asset

Amortization of concession intangible asset is calculated using straight-line basis over the period which commences from the date when the part of the tourist attraction site is available for use. The estimation of the

useful life impacts the level of annual amortization expense recorded. At the end of each reporting period, the management of the Group would estimate future cash flows generated by the concession intangible asset and determine whether there is any indication on impairment. If such indication exists, the recoverable amount of the concession intangible asset would be estimated and the carrying amount of concession intangible asset would be written down to the recoverable amount and the amount of the write-down would be charged against the results of operations.

Risk Factors

Due to the nature of its business, an investment in the Group should be considered highly speculative. Such investment will be subject to certain material risks and investors should not invest in the Group unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Group. Readers should note that this list is not a definitive list of all risk factors associated with an investment in the Group.

Unfavorable weather conditions

The Group's ability to attract visitors to Swallow Gully is influenced by weather conditions. Adverse weather conditions may discourage visitors from participating in outdoor activities at Swallow Gully. Prolonged periods of adverse weather conditions (including, severe winters, conditions such as prolonged rain, fog and snow, sandstorms, other conditions resulting from changes in climate attributable to greenhouse gases or otherwise) could have a material adverse effect on the Group's financial condition and results of operation.

Natural disasters

The Group's operation of Swallow Gully will be adversely affected by natural disasters such as earthquakes or landslides. Swallow Gully is located in Sichuan Province of the PRC, which is an area prone to earthquakes, landslides and other natural disasters. If any of these natural disasters takes place in or near Swallow Gully, it may damage infrastructure or improvements existing or to be developed on or near Swallow Gully, directly impacting the operations of the Group by restricting visitors from coming to Swallow Gully, delay or postpone planned development or construction of certain projects, and discourage visitors from traveling to the area in general and reduce the number of visitors to the Swallow Gully. In 2009, there was a landslide that occurred in the Swallow Gully and Gongga was required to remedy the effects caused by the landslide. Therefore, a natural disaster taking place in or near Swallow Gully may force the Group to suspend its operations for an indefinite period and cause the Group to incur additional expenditures, for which the Group is currently unable to obtain adequate insurance, and give rise to a material adverse effect on its financial condition and results of operation.

Competition from nearby scenic tourism areas

The Group faces competition from nearby scenic tourism areas. There are a number of AAAAA and AAAA scenic tourism areas in western and northern Sichuan, including the Hailuo Valley scenic area. Located approximately 30 minutes away from Swallow Gully, Hailuo Valley is the oldest commercial scenic park near Gongga Mountain and operates a 3.5 km cableway facility. Hailuo Valley attracted numerous tourists every year. Hailuo Valley Administration is the governmental agency that has jurisdiction over both the Hailuo Valley scenic area and Swallow Gully. Management believes that the success of Hailuo Valley's operation may be beneficial to Swallow Gully and that it may benefit from Hailuo Valley's experience in administering Hailuo Valley and the potential for sharing certain infrastructure owned or operated by the Hailuo Valley Administration. However, due to proximity and relative similarity, there will be competition between Hailuo Valley and Swallow Gully for tourists and the resources of Hailuo Valley Administration, and Swallow Gully may be disadvantaged in such competition as a new and less developed entrant into the market.

Changes in Chinese laws and regulations

Gongga is subject to a wide variety of laws and regulations relating to scenic area administration, natural reserve area protection, land use and development, and environmental compliance and permitting obligation.

Such laws and regulations could change in a manner that materially and adversely affects the Group's ability to conduct its business and to implement desired expansions and improvements to its facilities.

Additional Information

Additional information relating to the Group can also be found on SEDAR at www.sedar.com.