

## 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, 2019. 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, 2019 as well as the audited consolidated financial statements for the years ended December 31, 2018 and 2017 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 29, 2019.*

### **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". 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, as described in various parts of this MD&A 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 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. Particulars of the Qualifying Transaction are set out in note 1 to the audited consolidated financial statements.

On December 21, 2018, the Company announced that a proposal (i) to effect a cash distribution of \$0.075 per common share (the "Distribution") by way of a return of capital and to correspondingly reduce the stated capital of the Common Shares (the "Stated Capital Reduction"), and (ii) to sell (the "TWEL Sale") all of the shares (the "TWEL Shares") of its wholly-owned subsidiary, Total Wonder Enterprises Limited ("TWEL") to certain shareholders of the Company (the "Purchasers"). Alpha Peak shareholders (the "Disinterested Shareholders"), other than the Purchasers, will receive the Distribution in the form of cash. Purchasers will apply their proceeds from the Distribution to purchase TWEL Shares pursuant to the TWEL Sale by means of a set-off in accordance with each of their share purchase agreements with the Company. No cash payment will be

made to the Purchasers on account of the Distribution. Pursuant to the TWEL Sale, the Company proposes to sell all of the TWEL Shares to the following Purchasers: CN Lifestyle Limited, Peter Kai-Sing So, Yuxiu Zhao, Belva Global Company Limited and Merit Sign Holding Limited. TWEL will also pay the Company \$1,481,665 upon redemption of 10,843 TWEL Shares, which amount is also equal to the Distribution amount payable to Disinterested Shareholders.

The Distribution, Stated Capital Reduction and the TWEL Sale were approved by the shareholders on January 24, 2019. Those transactions were also approved by the TSX-V as required by its rules and policies.

On March 29, 2019, the Company announced that the outside completion date of the TWEL Sale has been extended from March 30, 2019 to June 30, 2019. To facilitate the extension, the Company has reached an agreement on amendments to the relevant share purchase agreements made as of December 21, 2018 (the “Share Purchase Agreements”) with certain shareholders of the Company. All other terms and conditions of the Share Purchase Agreements remain in force without amendment.

On July 19, 2019, the Company announced that its Board of Directors has declared the Distribution of C\$0.075 per common share (a “Common Share”) not subject to conditions, payable on July 31, 2019 (the “Distribution Payment Date”) to holders of record as at the close of business on July 29, 2019 (the “Distribution Record Date”). On or about the Distribution Payment Date, the Company intends to complete the TWEL Sale.

On August 1, 2019, the Company announced that the completion of its previous announced the Distribution and the State Capital Reduction. The Distribution will be a one-time, cash distribution by way of a return of capital. Concurrently with the completion of the Distribution and the State Capital Reduction, the Company has closed its previous announced the TWEL Sale. Particulars of the State Capital Reduction and TWEL Sale are set out in the Company’s management information circular dated December 21, 2018 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Neither the Distribution nor the TWEL Sale affects any shareholder’s ownership of the Common Shares. After the completion of the Distribution and TWEL Sale, the Company has become a “shell” company with no material assets other than some cash or liabilities and no active business. The Common Shares have been transferred to the NEX board of the TSX-V. TWEL has been owned exclusively by its purchasers and has continued to conduct its business as a private company.

#### *Overall Performance*

For the nine months ended September 30, 2019, we reported net profit of \$3,640,534 in comparison with the same period of 2018 which amount was net loss of \$576,013. The increase of net profit was mainly due to gain from sales of wholly-owned subsidiaries during the current period.

#### *2019 Outlook*

After the completion of the Distribution and TWEL Sale, the Company has become a “shell” company with no materials assets other than some cash or liabilities and no active business. The principal business of the Company is to identify and evaluate potential companies’ business and assets to complete a transaction.

The Company believes that the cash balance of \$123,361 and working capital \$117,332 as of September 30, 2019 will be sufficient to meet its financial obligations as they fall due for another 12 months.

## Selected annual information

The financial results of the Group for the financial years ended December 31, 2018, 2017 and 2016 are summarized as follows:

	For the financial year ended Dec 31, 2018	For the financial year ended Dec 31, 2017	For the financial year ended Dec 31, 2016
	\$	\$	\$
Total Revenue	504,304	1,391,549	1,647,025
Loss before tax			
(i) Total for the year	3,479,786	30,232,880	4,309,795
(ii) per share - basic	0.05	0.45	0.07
(iii) per share - fully diluted	0.05	0.45	0.07
Net Loss			
(i) Total for the year	3,479,786	30,232,880	4,263,282
(ii) per share - basic	0.05	0.45	0.07
(iii) per share - fully diluted	0.05	0.45	0.07
Total Assets	6,001,732	9,294,616	37,766,715
Total Non-current Liabilities	-	-	2,075,712
Distributions or Cash Dividends declared per-share	Nil	Nil	Nil

## Results of Operations – Three Months and Nine Months Ended September 30, 2019 compared to September 30, 2018

### Revenue

	3 months ended Sep 30,				9 months ended Sep 30,			
	2019	% of Total	2018	% of Total	2019	% of Total	2018	% of Total
	\$		\$		\$		\$	
Admission ticket sales	8,817	11.2%	21,329	29.2%	51,522	24.0%	115,115	30.7%
Attraction ticket sales	64,916	82.8%	43,725	59.9%	149,170	69.4%	238,527	63.5%
Others	4,726	6.0%	7,890	10.8%	14,355	6.6%	32,185	8.6%
<b>Total</b>	<b>78,459</b>	<b>100.0%</b>	<b>72,944</b>	<b>100.0%</b>	<b>215,047</b>	<b>100.0%</b>	<b>375,363</b>	<b>100.0%</b>
Less:								
Construction services under a service concession arrangement	-		-		-		-	
<b>Adjusted total</b>	<b>78,459</b>		<b>72,944</b>		<b>215,047</b>		<b>375,363</b>	
<b>Number of visitors</b>	<b>8,482</b>		<b>3,901</b>		<b>15,882</b>		<b>20,312</b>	
<b>Spending per visitor (in \$)</b>	<b>9</b>		<b>18</b>		<b>13</b>		<b>18</b>	

For the three months ended September 30, 2019, total revenue increased by 7.6% to \$78,459 compared to \$72,944 for the same period in the previous year. The Group sell the wholly-owned subsidiaries on August 1, 2019, so the revenue only included the amount due to August 2, 2019.

For the nine months ended September 30, 2019, total revenue decreased by 42.7% to \$215,047, compared to \$375,363 for the same period in the previous year.

Swallow Gully attracted 8,482 and 15,882 visitors for the three months and nine months ended September 30, 2018, compared to 3,901 and 20,312 visitors for the same period in prior year, respectively.

The spending per visitor for the three months and nine months ended September 30, 2019 was \$9 and \$13, compared to \$18 and \$18 for the same period in the previous year, respectively.

### Cost of Sales/Services

	3 months ended Sep 30,				9 months ended Sep 30,			
	2019	% of Total	2018	% of Total	2019	% of Total	2018	% of Total
	\$		\$		\$		\$	
	192	0.5%	1,374	0.9%	3,045	1.4%	3,034	0.7%
Depreciation	5,966	16.4%	24,630	15.3%	41,762	19.1%	80,171	17.8%
Salary	14,941	41.2%	64,469	40.0%	103,267	47.2%	176,446	39.1%
Insurance expenses	4,214	11.6%	28,106	17.5%	29,254	13.4%	64,615	14.3%
Transportation	10,757	29.7%	31,331	19.5%	31,230	14.3%	73,786	16.4%
Others	202	0.6%	11,000	6.8%	10,164	4.6%	52,997	11.7%
<b>Total</b>	<b>36,272</b>	<b>100.0%</b>	<b>160,910</b>	<b>100.0%</b>	<b>218,722</b>	<b>100.0%</b>	<b>451,049</b>	<b>100.0%</b>
Less:								
Provision of construction services under a service concession arrangement	-		-		-		-	
<b>Adjusted total</b>	<b>36,272</b>		<b>160,910</b>		<b>218,722</b>		<b>451,049</b>	

Cost of sales/services decreased by \$124,638 to \$36,272 for the three months ended September 30, 2019 compared to \$160,910 for the same period in the previous year. The decreased mainly due to the sales of the wholly-owned subsidiaries, the cost of sales/service only included the amount due to August 2, 2019.

Cost of sales/services decreased by \$232,327 to \$218,722 for the nine months ended September 30, 2019 compared to \$451,049 for the same period in the previous year. The decreased mainly due to the sales of the wholly-owned subsidiaries, the cost of sales/service only included the amount due to August 2, 2019.

### Gross Profit (Loss)

	3 months ended Sep 30,			9 months ended Sep 30,		
	2019	2018	Decrease	2019	2018	Decrease
	\$	\$		\$	\$	
Gross profit (loss)	42,188	(87,966)	148%	(3,675)	(75,686)	95.1%

Gross loss for the three months ended September 30, 2019 decreased by \$130,154 to become gross profit of \$42,188 from gross loss of \$87,966 for the same period in prior year.

Gross loss for the nine months ended September 30, 2019 decreased by \$72,011 to \$3,675 from gross loss of \$75,686 for the same period in previous year.

#### Other Income

	<u>3 months ended Sep 30,</u>			<u>9 months ended Sep 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Decrease</u>	<u>2019</u>	<u>2018</u>	<u>Decrease</u>
	\$	\$		\$	\$	
Other income	1,782	69,967	97.5%	9,572	182,406	94.8%

Other income consists of bank interest income for the three months and nine months ended September 30, 2019.

Other income decreased by \$68,185 to \$1,782 for the three months ended September 30, 2019 from \$69,967 for the same period in prior year. Other income decreased by \$172,834 to \$9,572 from \$182,406 for the nine months ended September 30, 2019, compared to the same period in prior year. The decreased mainly due to the sales of the wholly-owned subsidiaries, the other income only included the amount due to August 2, 2019.

#### Marketing Expenses

	<u>3 months ended Sep 30,</u>			<u>9 months ended Sep 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Decrease</u>	<u>2019</u>	<u>2018</u>	<u>Decrease</u>
	\$	\$		\$	\$	
Marketing expenses	35,266	165,482	78.7%	296,170	575,401	48.5%

Marketing expenses decreased 78.7% to \$35,266 for the three months ended September 30, 2019 from \$165,482 for the same period in prior year. Marketing expenses decreased 48.5% to \$296,170 from \$575,401 for the nine months ended September 30, 2019, compared to the same period of prior year. The decreased mainly due to the sales of the wholly-owned subsidiaries, the marketing expenses only included the amount due to August 2, 2019.

#### Administrative Expenses

	<u>3 months ended Sep 30,</u>			<u>9 months ended Sep 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>Decrease</u>	<u>2019</u>	<u>2018</u>	<u>Decrease</u>
	\$	\$		\$	\$	
Administrative expenses	98,587	448,799	78.0%	638,930	1,289,195	50.4%

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

Administrative expenses decreased by \$350,212 to \$98,587 for the three months ended September 30, 2019 from \$448,799 for the same period in prior year. Administrative expenses decreased by \$650,265 to \$638,930 from \$1,289,196 for the nine months ended September 30, 2019 from \$1,289,195 for the same period in prior year. The decreased mainly due to the sales of the wholly-owned subsidiaries, the administrative expenses only included the amount due to August 2, 2019.

**Net Profit (Loss)**

	<b>3 months ended Sep 30,</b>			<b>9 months ended Sep 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$		\$	\$	
Net Profit(loss)	4,434,898	(576,013)	869.9%	3,640,534	(1,642,895)	321.6%
Less:						
Non-cash unrealized exchange gain (loss)	-	(482,323)		-	(104,826)	
Adjusted net profit (loss)	4,434,898	(1,058,336)	519.0%	3,640,534	(1,747,721)	308.3%

Adjusted net loss decreased by \$5,493,234 to become adjusted net profit of \$4,434,898 for the three months ended September 30, 2019, compared to the same period in prior year which amount was adjusted net loss of \$1,058,336. The increase mainly was due to the gain on the sales of the wholly-owned subsidiaries.

Adjusted net loss increased by \$5,388,255 to become adjusted net profit \$3,640,534 for the nine months ended September 30, 2019, compared to the same period in prior year which amount was net loss of \$1,747,721. The increase mainly was due to the gain on the sales of the wholly-owned subsidiaries.

## 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, 2019	3 months ended Jun 30, 2019	3 months ended Mar 31, 2019	3 months ended Dec 31, 2018
	\$	\$	\$	\$
Total Assets	139,890	320,363	5,581,602	6,001,732
Assets classified as held for sale	-	718,906	-	-
Working Capital Equity	117,332	1,025,355	(2,417,827)	(2,003,536)
		1,025,355	1,668,008	2,042,669
Total Revenue	78,459	-	56,463	128,941
Net Profit (Loss)				
(i) Total for the period	4,434,898	(642,653)	(410,333)	(1,705,659)
(ii) per share - basic	0.06	(0.01)	(0.01)	(0.02)
(iii) per share - fully diluted	0.06	(0.01)	(0.01)	(0.02)
	3 months ended Sep 30, 2018	3 months ended Jun 30,2018	3 months ended Mar 31, 2018	3 months ended and as at Dec 31, 2017
	\$	\$	\$	\$
Total Assets	6,817,323	7,964,499	8,868,126	9,294,616
Working Capital Equity	(574,629)	187,784	911,506	1,164,932
	3,557,111	4,615,447	5,331,090	5,304,832
Total Revenue	72,944	138,935	163,484	370,713
Net Profit (Loss)				
(i) Total for the period	(576,013)	(595,950)	(470,932)	(26,318,620)
(ii) per share - basic	(0.01)	(0.01)	(0.01)	(0.39)
(iii) per share - fully diluted	(0.01)	(0.01)	(0.01)	(0.39)

Net profit was \$4,434,898 for the three months ended September 30, 2019, compared to net loss of \$576,013 for the same period in prior year. The increase of net profit is mainly due to the gain on the sales of wholly-owned subsidiaries.

In the last eight quarters, other than the current quarters, the trend of net loss is steady but there is a significant net loss in the fourth quarter of 2017 due to the substantial provision for impairment of assets during that quarter. The equity has gradually decreased for the last eight quarters due to incur net loss each quarter.

For the current quarter, total assets decreased significantly compared with the other quarters, mainly due to the sales of wholly-owned subsidiaries.

Since October 1, 2017, working capital has gradually decreased, mainly due to the increase of operating losses and deduction of monetary funds. However, for the current quarter, the working capital increased because of the sales of wholly-owned subsidiaries.

## Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all the Group's financial commitments and obligations as they fall due. The Company believes that the cash balance of \$123,361 and working capital \$117,332 as of September 30, 2019 will be sufficient to meet its financial obligations as they fall due for another 12 months.

The company's main source of funds is from cash on hand. The main purpose of cash is for the operating activities.

	<u>3 months ended Sep 30,</u>		<u>9 months ended Sep 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$	\$
Net cash provided by (used in) operating activities	(69,350)	(718,005)	(231,316)	(2,327,585)
Net cash provided by (used in) investing activities	5,407,731	572,994	5,415,521	578,222
Net cash provided by (used in) financing activities	(5,405,949)	-	(5,405,949)	-
Effects of foreign exchange rate changes on cash	-	(11,657)	-	(70,930)
Net decrease in cash	(67,568)	(156,668)	(221,744)	(1,820,293)
Working capital	117,332	(574,629)	117,332	(574,629)

The net decrease in cash from continuing operations for the three and nine months ended September 30, 2019 were \$67,568 and \$221,744 respectively. The net cash provided by investing activities for the three and nine months ended September 30, 2019 included the proceed of sales of wholly-owned subsidiaries in the amount of \$5,405,949. The net cash used in financing activities for the three and nine months ended September 30, 2019 were \$5,405,949 related to the cash distribution for the capital reduction,

Working capital increased by \$691,961 from (\$574,629) as at September 30, 2018 to \$117,332 as at September 30, 2019 because of the sales of subsidiaries.

## Contractual Obligation

In the normal course of business, the Group is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable. The Group's contractual obligations are operating lease obligations which represent all operating lease payments for office space and office equipment as follows:

	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Lease Obligations	\$2,700	\$1,800	\$900	-	-

## Capital Expenditures

The Group's capital expenditure primarily relates to its investment in the property, plant and equipment required in its business operations. After the completion of TWEL Sale, the company has become a shell company with no material assets other than cash or liabilities. The company stops any investment in capital expenditure.

### Off-Balance Sheet Arrangements

As at September 30, 2019, and up to the date of this MD&A, the Group has no off-balance sheet arrangements.

### Related Party Balances and Transactions

As at September 30, 2019, the Group had a current and non-current balance due to related parties, Chong's Family, in the amount of nil (2018: \$2,005,273) which was held by wholly-owned subsidiaries which was sold during the current period.

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

	<u>3 months ended Sep 30,</u>		<u>9 months ended Sep 30,</u>	
	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2018</u>
	\$	\$	\$	\$
Interest payable to related parties	-	23,845	-	72,316

### Financial Instruments and Other Instruments

The Group held cash of \$123,361 on its interim condensed consolidated statement of financial position as at September 30, 2019 and does not have any cash equivalents or invested assets. The Group does not currently utilize any other instruments such as derivative financial instruments to reduce its exposure. All of 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 zero and \$0.0075 million as at September 30, 2019 and December 31, 2018, respectively, and liabilities were \$22,558 and \$2.2 million as at September 30, 2019 and December 31, 2018, respectively.

#### *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*

The Group's credit risk is primarily attributable to advances to a local authority, structured deposit and bank balances. The carrying amounts of the respective recognised financial assets as stated in the statements of financial position best represent the Group's maximum exposure to credit risk.

The Group applies internal credit rating for the advances to a local authority. The estimated loss rates are estimated with reference to external credit rating adjusted by a premium on probability of default rate and forward-looking information that is available without undue cost or effort. The directors consider that the credit risks of the advances to a local authority are insignificant after the assessment.

The management considers bank balances that are deposited with financial institutions with high credit rating to be low credit risk financial assets. The management considers that the probability of default is negligible on the basis of high-credit rating issuers during the period ended September 30, 2019 and the year ended December 31, 2018.

### **Outstanding Shares and Share Options Information**

As at December 31, 2018, September 30, 2019 and at the date of this MD&A, the Company had 72,077,073 common shares and 320,000 share options for a total of 72,397,073 fully diluted common shares outstanding. For additional details of outstanding share capital, please refer to the unaudited interim financial statements for the nine months ended September 30, 2019 and the audited financial statements for the year ended December 31, 2018.

### **Critical Accounting Policies and Estimates**

This MD&A should be read in conjunction with Note 4 of the Notes to the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2019 and 2018, and the audited consolidated financial statements of the Group for the years ended December 31, 2018 and 2017. Note 4 to unaudited interim condensed consolidated financial statements and 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 reporting period, 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, 2019 and 2018.

#### *Valuation of property, plant and equipment*

Attractions and improvement and buildings included in the property, plant and equipment are revalued based on the valuation performed by an independent professional valuer. The determination of the valuation involves certain assumptions of market conditions. In relying on the valuation report, management of the Group has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the valuation of the Group's property, plant and equipment and the corresponding adjustments to the amount of gain or loss arising on the revaluation of property, plant and equipment would be recognized in other comprehensive income.

#### *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.

**Changes in Accounting Policies including Initial Adoption**

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**3.1 IFRS 15 Revenue from Contracts with Customers**

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- revenue from admission ticket sales
- revenue from attraction ticket sales

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 18 and 4, respectively.

#### *Summary of effects arising from initial application of IFRS 15*

The directors of the Company reviewed and assessed the Group's sources of revenue as at January 1, 2018 based on the facts and circumstances that existed at that date. The initial application of IFRS 15 has had no material impact on the consolidated financial statements of profit or loss and other comprehensive income of the Group with regards to the revenue recognition.

### **3.2 IFRS 9 Financial Instruments**

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the structured deposits, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, these structured deposits totalling \$2,403,430 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The directors of the Company reviewed and assessed the Group's financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Except as described above, the initial application of IFRS 9 has had no material impact on classification and measurement of financial assets in these consolidated financial statements.

## New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>4</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>5</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2019.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2021.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

### **IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront

prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of \$127,073 as disclosed in note 24. These arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of \$16,621 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. In addition, the Group elects the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

#### **Amendments to IAS 1 and IAS 8 *Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on January 1, 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

#### **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.

##### *Change the nature of business of the company*

After the completion of Distribution, Stated Capital Reduction and TWEL Sale, the Company become a "shell" company with no materials assets other than cash, or liabilities and no active business. The principle business of the Company will be to identify and evaluate companies' assets or business with pursuit to complete a transaction, which will be significantly different from its current business.

##### *Financing Risks*

The Company may need to raise additional financing to pursuing and following completion of the transaction and such financing may not be available to the Company on favorable terms or at all.

### *Competition*

The Company faces competition from other capital providers for investment opportunities.

### *Key Personnel*

The Company's success will depend on its ability to attract and retain its key personnel.

### *Retention of Key Management*

The Company has not entered into any agreements with its proposed directors or officers regarding their continued involvement with the Company. The inability of the Company to retain its directors or senior officers, as a result of volatility or lack of positive performance in the Company's stock price, may adversely affect the Company's ability to carry out its business.

### *Directors and Officers Conflicts of Interest*

The Company must rely substantially on the knowledge and expertise of its directors and officers in selecting investment opportunities. Certain of the directors and officers of the Company are engaged and will continue to be engaged in the search for investments for themselves, angel investment groups or organizations and on behalf of others. Additionally, certain of the directors of the Company may become directors and/or officers of the target companies. Conflicts of interest may arise from time to time.

### *Dividends*

To date, the Company has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions.

### *Dilution*

The number of common shares the Company is authorized to issue is unlimited. The Company may, in its sole discretion, issue additional common shares from time to time, and the interests of the holders of shares may be diluted thereby.

### *Potential Volatility of Share Price*

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the shares may be volatile and could be subject to wide fluctuations due to a number of factors. Broad market fluctuations, as well as economic conditions generally and in the industries in which the Company will make its investment, may adversely affect the market price of the shares.

### **Additional Information**

Additional information relating to the Group can also be found on SEDAR at [www.sedar.com](http://www.sedar.com).