

ALPHA PEAK LEISURE INC.

Interim Condensed Consolidated Financial Statements  
As of and for the three months and nine months ended  
September 30, 2019  
(Expressed in Canadian dollars)  
(Unaudited)



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019  
(*unaudited*)

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**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Group's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial statements by an entity's auditor.

Management has prepared the information and representations in this interim report. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the interim condensed consolidated financial statements.

The Group maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

*"Liu Bing"*

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Chief Financial Officer

Date: November 29, 2019



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AT SEPTEMBER 30, 2019  
 (expressed in Canadian Dollars)  
 (unaudited)

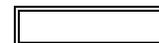
	<u>NOTES</u>	September 30, <u>2019</u> \$ (Unaudited)	December 31, <u>2018</u> \$ (Audited)
Non-current assets			
Property, plant and equipment	5	-	1,709,030
Prepaid lease payment		-	290,569
Intangible assets		-	4,147
Advances to a local authority	6	-	2,042,459
		<u>-</u>	<u>4,046,205</u>
Current assets			
Inventories		-	23,244
Trade and other receivables	7	16,529	158,789
Structured deposits		-	584,761
Bank balances and cash		123,361	1,188,733
		<u>139,890</u>	<u>1,955,527</u>
Current liabilities			
Other payables	8	22,558	1,789,148
Amounts due to related parties	9	-	110,480
Loan from related parties	9	-	2,059,435
		<u>22,558</u>	<u>3,959,063</u>
Net current assets		<u>117,332</u>	<u>(2,003,536)</u>
Total assets less current liabilities		<u>117,332</u>	<u>2,042,669</u>
Net assets		<u>117,332</u>	<u>2,042,669</u>
Equity			
Share capital	10	63,992,016	69,397,965
Reserves		<u>(63,874,684)</u>	<u>(67,355,296)</u>
		<u>117,332</u>	<u>2,042,669</u>

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

The interim condensed consolidated financial statements on pages 2 to 27 were approved and authorized for issuance by the Board of Directors on November 29, 2019 and are signed on its behalf by:

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 Yuxiu Zhao, Director

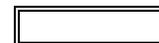
\_\_\_\_\_  
 Baihan Zong, Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME  
 FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019  
*(expressed in Canadian Dollars)*  
*(unaudited)*

	NOTES	For the three months ended Sep 30,		For the nine months ended Sep 30,	
		2019 \$	2018 \$	2019 \$	2018 \$
Revenue	11	78,459	72,944	215,047	375,363
Cost of sales/services		<u>(36,272)</u>	<u>(160,910)</u>	<u>(218,722)</u>	<u>(451,049)</u>
Gross profit (loss)		42,188	(87,966)	(3,675)	(75,686)
Other income		1,782	69,967	9,572	182,406
Finance costs		-	(23,845)	(52,115)	(72,316)
Marketing expenses		(35,266)	(165,482)	(296,170)	(575,401)
Other gain	12	(42,297)	(51,120)	54,774	56,065
Administrative expenses		(98,587)	(448,799)	(638,930)	(1,289,195)
Gain on disposal of subsidiaries	17	<u>4,567,078</u>	<u>-</u>	<u>4,567,078</u>	<u>-</u>
Profit (Loss) before tax		4,434,898	(707,245)	3,640,534	(1,774,127)
Income tax recovery	13	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit (Loss) for the period		<u>4,434,898</u>	<u>(707,245)</u>	<u>3,640,534</u>	<u>(1,774,127)</u>
Other comprehensive income (loss)					
<i>Item that may be reclassified to profit or loss</i>					
Exchange difference arising on translation of foreign operations		<u>(6,120,028)</u>	<u>(351,091)</u>	<u>(6,155,700)</u>	<u>26,406</u>
Other comprehensive income (loss) for the period		<u>(6,120,028)</u>	<u>(351,091)</u>	<u>(6,155,700)</u>	<u>26,406</u>
Total comprehensive income (loss) for the period		<u>(1,685,130)</u>	<u>(1,058,336)</u>	<u>(2,515,166)</u>	<u>(1,747,721)</u>
Profit (Loss) per share:	14				
Basic		0.06	(0.01)	0.05	(0.02)
Diluted		<u>0.06</u>	<u>(0.01)</u>	<u>0.05</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding:	14				
Basic		72,077,073	72,077,073	72,077,073	72,077,073
Diluted		<u>72,077,073</u>	<u>72,077,073</u>	<u>72,077,073</u>	<u>72,077,073</u>

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE  
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019

(expressed in Canadian Dollars)

(unaudited)

	Share capital \$	Capital reserve \$ (Note i)	Share option reserve \$	Revaluation reserve \$	Exchange reserve \$ (Note ii)	Accumulated losses \$	Total \$
At January 1, 2018	69,397,965	3,210,875	603,514	-	5,938,077	(73,845,599)	5,304,832
Profit (Loss) for the period	-	-	-	-	-	(1,774,127)	(1,774,127)
Other comprehensive income for the period	-	-	-	-	26,406	-	26,406
Total comprehensive income (loss) for the period	-	-	-	-	26,406	(1,774,127)	(1,747,721)
At September 30, 2018	69,397,965	3,210,875	603,514	-	5,964,483	(75,619,726)	3,557,111
Profit (Loss) for the period	-	-	-	-	-	(1,705,659)	(1,705,659)
Other comprehensive income for the period	-	-	-	-	191,217	-	191,217
Total comprehensive income (loss) for the period	-	-	-	-	191,217	(1,705,659)	(1,514,442)
Forfeiture of share options (Note 16)	-	-	(59,501)	-	-	59,501	-
At January 1, 2019	69,397,965	3,210,875	544,013	-	6,155,700	(77,265,884)	2,042,669
Profit for the period	-	-	-	-	-	3,640,534	3,640,534
Other comprehensive income (loss) for the period	-	-	-	-	(6,155,700)	-	(6,155,700)
Total comprehensive income (loss) for the period	-	-	-	-	(6,155,700)	3,640,534	(2,515,166)
Capital reduction from cash distribution	(5,405,949)	-	-	-	-	-	(5,405,949)
Sales of subsidiaries	-	(3,210,875)	-	-	-	9,206,653	5,995,778
At September 30, 2019	63,992,016	-	544,013	-	-	(64,418,697)	117,332

Notes:

- (i) The capital reserve represents 1) the amount of a loan waived by a shareholder in previous years and 2) adjustment arising from the Group Reorganisation in relation to a share exchange agreement dated as of November 13, 2014.
- (ii) The exchange reserve includes other comprehensive income with a credit balance of \$7,221,376 that was arising on translation to presentation currency before the completion of a qualifying transaction on June 23, 2015 and will not be subsequently reclassified to profit or loss.

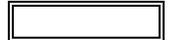
*The accompanying notes are an integral part of these consolidated financial statements.*



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2019  
(expressed in Canadian Dollars)  
(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	<u>2019</u> \$	<u>2018</u> \$	<u>2019</u> \$	<u>2018</u> \$
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Profit (loss) for the period	4,434,898	(707,245)	3,640,534	(1,774,127)
Items not affecting cash:				
Depreciation of property, plant and equipment	-	24,630	-	80,171
Interest expense	-	23,845	-	72,316
Gain from sales of subsidiaries	(4,567,078)	-	(4,567,078)	-
Release of prepaid lease payments	-	-	-	-
Amortisation of intangible assets	-	1,374	-	3,034
Bank interest income	(1,782)	(1,260)	(9,572)	(7,067)
Income tax recovery	-	-	-	-
Imputed interest income on advances to a local authority	-	(32,814)	-	(99,512)
(Increase) decrease in inventories	-	936	-	1,289
(Increase) decrease in trade and other receivables	9,836	(28,640)	112,905	(41,219)
Increase in other payables	54,776	1,169	591,895	(562,470)
	<u>(69,350)</u>	<u>(718,005)</u>	<u>(231,316)</u>	<u>(2,327,585)</u>
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	-	-	-	(579)
Mature (placement) of time deposits	-	571,734	-	571,734
Proceeds from sale of subsidiaries	5,405,949	-	5,405,949	-
Interest received	1,782	1,260	9,572	7,067
	<u>5,407,731</u>	<u>572,994</u>	<u>5,415,521</u>	<u>578,222</u>
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>				
Cash distribution for the capital reduction	(5,405,949)	-	(5,405,949)	-
	<u>(5,405,949)</u>	<u>-</u>	<u>(5,405,949)</u>	<u>-</u>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>				
	-	(11,657)	-	(70,930)
NET DECREASE IN CASH	(67,568)	(156,668)	(221,744)	(1,820,293)
CASH AT BEGINNING OF THE PERIOD	190,929	932,551	345,105	2,596,176
CASH AT END OF THE PERIOD	<u>123,361</u>	<u>775,883</u>	<u>123,361</u>	<u>775,883</u>

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018

(expressed in Canadian Dollars)  
(unaudited)

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1. NOTICE TO READER OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements of Alpha Peak Leisure Inc. and its subsidiaries (collectively referred to as the “Group”), which include the accompanying interim condensed consolidated statement of financial position as at September 30, 2019 and December 31, 2018 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months then ended, are the responsibility of the Group’s management. These interim condensed consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Group. The interim condensed consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada. These financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) and reflect management’s best estimates and judgment based on information currently available.

Alpha Peak Leisure Inc. (“Alpha Peak”) was incorporated on June 24, 2011 under the *British Columbia Business Corporation Act* and commenced trading on TSX Venture Exchange (the “TSX-V”) as a Capital Pool Company pursuant to Exchange Policy 2.4.

On June 23, 2015, Alpha Peak completed a 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* on October 20, 2014 and amalgamated with 6772BC to continue as an amalgamated company (the “Amalco” or the “Company”).

On December 21, 2018, Alpha Peak 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 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, 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.

On August 1, 2019, Alpha Peak completed its previous announced the Distribution and the State Capital Reduction. Concurrently with the completion of the Distribution and the State Capital Reduction, the Company closed its previous announced the TWEL Sale.

After the completion of the Distribution and TWEL Sale, Alpha Peak has become a “shell” company with no material assets other than some cash or liabilities and no active business. The Common Shares had been transferred to the NEX broad of the TSX-V. The currently principal activities of the Company are to identify and evaluate companies’ assets or business with completing a transaction.



## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on November 29, 2019.

### Basis of preparation

At December 31, 2018, the Group's current liabilities exceeded its current assets by \$2,003,536. Subsequently on January 24, 2019, the Distribution, the Stated Capital Reduction and the Transaction were approved by the shareholders of the Company. The directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the Group's cash flow projection, including:

- (i) the extension of loan agreement and amended extension of loan agreement entered into with related parties on December 10, 2018 and March 20, 2019;
- (ii) the cash distribution of \$0.075 per common share (the "Common Share") to shareholders by way of a return of capital and to correspondingly reduce the stated capital of the Common Shares;
- (iii) the sale of all of the shares of its wholly-owned subsidiary, TWEL; and

The principal accounting policies are set out below.

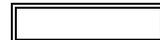
## 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### **New and Amendments to IFRSs that are mandatorily effective for the current year**

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 new and 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

*New and Amendments to IFRSs that are mandatorily effective for the current year*  
continued

**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 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 is disclosed in note 4.

*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 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.



3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

*New and Amendments to IFRSs that are mandatorily effective for the current year*  
continued

**3.2 IFRS 9 Financial Instruments**

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

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

*Summary of effects arising from initial application of IFRS 9*

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Financial assets designated at fair value through profit or loss ("FVTPL") \$	Financial assets at FVTPL required by IFRS 9 \$
<b>Closing balance at December 31, 2017 - IAS 39</b>	2,403,430	-
<b>Effect arising from initial application of IFRS 9:</b>		
<b>Reclassification</b>		
From designated at FVTPL (a)	(2,403,430)	2,403,430
<b>Opening balance at January 1, 2018</b>	<u>-</u>	<u>2,403,430</u>

(a) Financial assets at FVTPL and/or designated at FVTPL

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.



3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued  
**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 and will be mandatorily effective for the Group's annual period beginning on January 1, 2019.

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.



3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**New and Amendments to IFRSs in issue but not yet effective** - continued

**IFRS 16 Leases** - continued

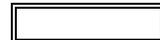
The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease 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. 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.



3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

**New and Amendments to IFRSs in issue but not yet effective - continued**

**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.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



4. SIGNIFICANT ACCOUNTING POLICIES - continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.



4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) - continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue from admission ticket sales and attraction ticket sales is recognised upon admission into the tourist site, provision of services or when products are delivered to visitors.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Receipt in advance from customers/travel agents prior to the date of revenue recognition are recorded as contract liabilities under current liabilities.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.



4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition (prior to January 1, 2018)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from admission ticket sales and attraction ticket sales is recognised upon admission into the tourist site. Admission tickets allow visitors to enter into the tourist site while attraction tickets grant the rights to visitors to enjoy the use of the built-in facilities at the tourist site.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Group as lessee**

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

**Leasehold land and building**

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing - continued**Leasehold land and building** - continued

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payment" in the consolidated statement of financial position and is released over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

These consolidated financial statements are presented in \$, which is the Company's functional currency and the Group's presentation currency. In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in the statement of profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. \$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.



4. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefits costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense in the statement of profit or loss unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deduction of any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the statement of profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Share-based payment arrangements

**Equity-settled share-based payment transactions**

*Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately in the statement of profit or loss with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in the statement of profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment, mainly including motor vehicles, attractions and improvement and buildings, are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Attractions and improvement	10 to 40 years
Buildings	36 to 40 years
Motor vehicles	4 years
Others	3 - 5 years

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of the property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Intangible assets**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The intangible assets are amortised on a straight-line basis over the following useful lives:

Hot spring prospecting rights	10 years
Trademark	10 years
Patent	10 years
Others	10 years



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets - continued**Intangible asset arising from a service concession arrangement**

When the Group has a right to charge for usage of concession infrastructure as a consideration for providing construction service in a service concession arrangement, it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment loss, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives, i.e. the period which commence from the date when the part of the tourist attraction site is available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Any gain or loss arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the statement of profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in the statement of profit or loss unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease and is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss unless the relevant asset is carried at a revalued amount under another standard in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for the inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

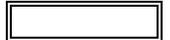
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

*Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued

*Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) - continued*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued

*Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) - continued*

## (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses) and gains" line item.

*Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including advances to a local authority, trade receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued*Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)* - continued

The ECL on these assets are assessed individually for debtors with significant balances.

## (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued

*Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)* - continued

## (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued

*Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) - continued*

## (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and advances to local authority, where the corresponding adjustment is recognised through a loss allowance account.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued

*Classification and subsequent measurement of financial assets (before application of IFRS 9 on January 1, 2018)*

Financial assets are classified as FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

## (i) Financial assets at FVTPL

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other (losses) and gains" line item. Fair value is determined in the manner described in note 29c.

## (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, advances to a local authority and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued*Impairment of financial assets (before application of IFRS 9 on January 1, 2018)*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payment in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of an impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When the amount is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss. Changes in the carrying amounts of the allowance account are recognised in the statement of profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



## 4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued**Financial assets** - continued*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

**Financial liabilities and equity instruments***Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at amortised cost*

Financial liabilities (including other payables and amounts due to/loan from related parties) are subsequently measured at amortised cost, using the effective interest method.



#### 4. SIGNIFICANT ACCOUNTING POLICIES - continued

##### Non-current assets (or disposal groups) held-for-sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

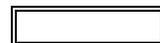
Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

#### 5. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30 2019, the Company acquired property, plant and equipment of approximately nil (2018: \$579). Depreciation of property, plant and equipment for the nine months ended September 30, 2019 is nil (2018: \$80,171).



## 6. ADVANCES TO A LOCAL AUTHORITY

The amount represents the funds advanced to Grantor in relation to the construction of the infrastructure outside the tourist attraction site.

The advances are interest-free and unsecured. In the opinion of management, the advances will not be settled in the coming twelve months from the end of the reporting period and is accordingly classified as non-current assets.

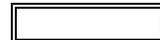
## 7. TRADE AND OTHER RECEIVABLES

	September 30, <u>2019</u> \$ (Unaudited)	December 31, <u>2018</u> \$ (Audited)
Trade receivables	-	-
Less: allowance for bad and doubtful debts	-	-
	<hr/>	<hr/>
	-	-
Prepayment	16,529	102,538
Deposit	-	31,508
Value-added tax receivables	-	24,743
	<hr/>	<hr/>
	<u>16,529</u>	<u>158,789</u>

The Group's admission tickets and attraction tickets sales are largely operated on cash on delivery or due immediately from date of billing, except for a credit term of 30 days is granted to travel agents.

## 8. OTHER PAYABLES

	September 30, <u>2019</u> \$ (Unaudited)	December 31, <u>2018</u> \$ (Audited)
Constructions expenses	-	423,507
Admission ticket sales proceeds entitled by a local authority	-	495,477
Legal and professional fee	-	412,094
Advertising expenses	-	290,741
Salary expenses	-	42,987
Sub-contracting expenses	-	17,364
Others	22,558	106,978
	<hr/>	<hr/>
	<u>22,558</u>	<u>1,789,148</u>



## 9. AMOUNTS DUE TO/ LOAN FROM A SHAREHOLDER/RELATED PARTIES

As at December 31, 2018, an amount due to a related party amounted \$6,611(2017: \$nil) is unsecured, no interest bearing and repayable on demand. The related party is the spouse of a director of the Company.

As at December 31, 2017, loan from related parties amounted \$1,928,689 was unsecured, interest bearing at Hong Kong Prime Rate of 5% per annum with maturity on December 31, 2018 and amounts due to related parties amounted \$48,216, representing interest payable from such loan, was unsecured, no interest bearing and repayable on demand.

On December 10, 2018, the Group entered into an extension of loan agreement with the related parties that the maturity of the loan amounted HK\$12,000,000 was extended to December 31, 2019. As at December 31, 2018, the loan from related parties is accordingly classified as current liabilities in the consolidated statement of financial position.

As at December 31, 2018, loan from related parties amounted \$2,059,435 is unsecured, interest bearing at Hong Kong Prime Rate of 5.125% per annum was with maturity on December 31, 2019 and amounts due to related parties amounted \$103,869, representing interest payable from such loan, is unsecured, no interest bearing and repayable on demand.

## 10. SHARE CAPITAL

## (a) Authorised

Unlimited number of common shares without par value.

## (b) Issued common shares

Movement of share capital of the Company

	<u>Number of common shares</u>
As of January 1, 2018	72,077,073
Issue of shares (Note)	-
As of December 31, 2018 and September 30, 2019	<u>72,077,073</u>

Note: On September 14, 2017, 7,730,593 common shares were subscribed by an independent third party at a subscription price of \$0.225 per common share with a total amount of \$1,739,383.

## (c) Share options

The Company adopted a share option plan on December 21, 2011 under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The Company granted 800,000 on December 21, 2011 and an additional 220,000 on September 30, 2012, for a total of 1,020,000 share options to its directors and officers at an exercise price of \$0.10 per common share. Each share option entitles its holder to purchase one common share at a price of \$0.10 per common share till January 31, 2023.

During the year ended December 31, 2018, 35,000 share options were forfeited following 90 days after the resignation of one share option holder.

As at December 31, 2018 and June 30, 2019 320,000 share options of the Company were outstanding and were exercisable with a weighted average exercise price of \$0.10.





## 15. SEGMENTED INFORMATION

The Group determines its reportable and operating segments based on information reported to the management, being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance.

The Group is engaged in the development and operation of Swallow Gully. Based on the Group's internal organisational structure, management requirements, internal reporting policies, the management considers the Group itself is one operating segment and reviews the consolidated financial statements as a whole.

The Group principally operates in the PRC. Majority of non-current assets of the Group are located in the PRC.

## 16. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with a shareholder and a related party:

	For the three months ended Sep 30,		For the nine months ended Sep 30,	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$	\$	\$	\$
Interest expenses to related parties	-	23,845	-	72,316

(b) Balances and other arrangements with related parties are set out in the consolidated statement of financial position on pages 2 and in Note 9.

## 17. DISPOSAL OF SUBSIDIARIES

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 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.

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.