

## AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following amended and restated 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 ended March 31, 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 ended March 31, 2019 as well as the audited consolidated financial statements for the years ended December 31, 2018 and 2017 of the Group. These 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 July 24, 2019.*

**Forward-looking statements**

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, such as unfavorable weather conditions, natural disasters, competition from nearby scenic tourism areas, changes in the tourism promotion policies of Mainland China, acceptability of terms of arrangements with local governments on new programs and initiatives, acceptability of our new programs and initiatives by the consumer audience that we are targeting, costs related to implementing new programs and initiatives to add new revenue streams, availability of working capital and financial resources to implement and sustain programs and initiatives once they have been started, changes in Chinese laws and regulations, all as described in various parts of this MD&A and the "Risk Factors" section below. Such Forward-Looking Statements are based on a number of assumptions, including but not limited to, information or statements concerning the Group's expectations for its ability to raise capital and meet the Group's obligations. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual events or results may differ materially from those expressed or implied in the Forward Looking-Statements. Investors are cautioned against placing undue reliance thereon. The Group undertakes no obligation to revise or update the Forward-Looking Statements, except as required by applicable law.

## Overview

The 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

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

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 all of the shares of its wholly-owned subsidiary, Total Wonder Enterprises Limited (“TWEL”) to certain shareholders of the Company (the “TWEL Sale”). The Distribution, Stated Capital Reduction and the Transaction were approved by the shareholders on January 24, 2019. Those transactions were also approved by the TSX Venture Exchange as required by its rules and policies.

On July 19, 2019, the Company announced that its Board of Directors has declared a distribution of C\$0.075 per common share not subject to conditions, payable on July 31, 2019 to holders of record as at the close of business on July 29, 2019 .

Following closing of the TWEL sale, the Company will not derive any further revenues or have any further expenses or obligations in respect of TWEL or its business. The Company will not have any assets other than cash. The Company believes that this cash will be sufficient to enable the Company to meet its financial obligations as they fall due for 10 months. For the additional details of the Distribution, Stated Capital Reduction and the TWEL Sale, refer to the Management Information Circular dated January 24, 2019 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## *Overall Performance*

In the first quarter of 2019, we reported net loss of \$410,333, a decrease of 12.9% as compared to the same period of 2018 which amount is \$470,932. The Group managed to reduce its cost with a higher level than its decrease in revenue.

## Revenue

The Group's revenue consists of admission ticket sales, attraction ticket sales, bubble hotels business and etc. The Group's revenue totaled \$56,463 for the first quarter, compared to \$163,484 in the prior year quarter, decrease 65.5%. The decrease was mainly due to a suspension of rebate program with travel agencies, resulting in a significant reduction in the number of group tourists and the spending on external promotion and publicity was reduced, resulting in a drop in the number of individual tourists.

Revenues from admission ticket sales decreased 62.3% in the first quarter 2019 compared with the first quarter of 2018. Revenues from attraction ticket sales recorded an approximately 64.6% reduction which reflected in revenues resulting from the decrease in number of visitors.

Operating Expenses

Total operating costs were \$0.6 million in the first quarter which include cost of goods sold in the amount of \$0.09 million, marketing expenses in the amount of \$0.14 million, administrative expense in the amount of \$0.34 million and financial costs in the amount of \$0.03 million, relative to \$0.8 million which include cost of goods sold in the amount of \$0.2 million, marketing expenses in the amount of \$0.2 million, administrative expense in the amount of \$0.4 million and financial costs in the amount of 0.02 million in the prior year period. Total operating expenses were 1,052% of total revenue in the first quarter of 2019 as compared to 528.6% in the same period of 2018.

Cost of sales/services decreased by \$117,860 for the first quarter of 2019 compared to the same period of 2018. Costs of sales/services were lower during the period as the Company's expenses were reduced as a result of a drop in number of visitors.

Marketing expenses decreased by \$64,685 for the first quarter of 2019 compared to the same period of 2018. This decrease is mainly due to the reduction of marketing staff salaries and advertising expenses. In the first quarter of 2019, in response to the drop of visitors, Gongga has implemented off-season working arrangement to reduce operating cost.

Administrative expenses decreased by \$89,388 for the first quarter of 2019 compared with the same period of 2018. The decrease was mainly due to the reduction of directors' remuneration expenses during this period.

2019 Outlook

After the Share Purchase transaction and Distribution have been completed, the Company become a "shell" company with no materials assets, or liabilities and no active business. The principle business of the Company will be to identify and evaluate companies' assets or business with completing a transaction.

In 2018, the management made plan to improve current scenic area's service concept and product offering by creating a diversified tourism experience, as well as promoting a new tourism style. For the year 2019, prior to the completion of the Share Purchase transaction and Distribution, the Group is continuing to execute its business plan by focusing on providing resort service, to meet the tourists' demand for high mountain vacations. In addition, the Group will also promote add-on sales. However, the pace of execution and spending by the Company was slowed during the first quarter due to the TWEL Sale and will continue at a reduced pace until completion of the TWEL Sale.

**Factors Affecting Results of Operations***Foreign Currency*

Majority of the Group's revenue and expenses are denominated in Renminbi ("RMB") and generated through its wholly owned operating subsidiary, Gongga Terraferma Limited ("Gongga"), a company incorporated under the laws of the PRC, which is the developer and operator of Swallow Gully. Meanwhile, some of the Group's expenses are denominated in Hong Kong dollars ("HKD") and generated through its wholly owned subsidiary, Merit Sign Investments Limited, a company incorporated in Hong Kong, which provides management services to the Group. Accordingly, the results of operations are impacted by the fluctuation of RMB and HKD against Canadian dollars ("CAD"). The average exchange rate of RMB against CAD for the three months ended March 31, 2019 and 2018 was RMB 1 = CAD 0.1971 and RMB 1 = CAD 0.2006 respectively. While that for HKD against CAD for the three months ended March 31, 2019 and 2018 was HKD 1 = CAD 0.1695 and HKD 1 = CAD 0.1618 respectively.

*Seasonality*

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

**Results of Operations – Three Months Ended March 31, 2019 compared to March 31, 2018****Revenue**

	<b>3 months ended March 31,</b>			
	<b>2019</b>	<b>% of Total</b>	<b>2018</b>	<b>% of Total</b>
	\$		\$	
Admission ticket sales	18,620	33.0%	49,336	30.2%
Attraction ticket sales	35,344	62.6%	99,785	61.0%
Others	2,499	4.4%	14,363	8.8%
<b>Total</b>	<b>56,463</b>	<b>100.0%</b>	<b>163,484</b>	<b>100.0%</b>
Less:				
Construction services under a service concession arrangement	-		-	
<b>Adjusted total</b>	<b>56,463</b>		<b>163,484</b>	
<b>Number of visitors</b>	<b>3,193</b>		<b>8,922</b>	
<b>Spending per visitor</b>	<b>18</b>		<b>18</b>	

For the three months ended March 31, 2019, total revenue decreased 65.5% to \$56,463, compared to \$163,484 for the same period in the previous year. The decrease was attributed to the decrease in the number of visitors.

Swallow Gully attracted 3,193 visitors for the three months ended March 31, 2019, compared to 8,922 visitors for the same period in the previous year, a total dropped by 5,729 compared with the same period of 2018. The decrease was mainly due to a suspension of rebate program with travel agencies, resulting in a significant reduction in the number of group tourists from 4,744 in the first quarter of 2018 to 1,237 in the first quarter of 2019. The Company suspended the rebate program with travel agencies as the management believe the previous arrangement no longer serve the best interest of the company; The spending on external promotion and publicity was reduced, resulting in a drop in the number of individual tourists from 4,178 to 1,956. We expect the drop of tourists to be temporary, as the new arrangement with travel agencies was achieved in July 2019 and thanks to the improvement of traffic conditions around scenic spot, the traffic time is reduced significantly, which would make Swallow Gully a more attractive travel destination to individual tourists.

The spending per visitor for the three months ended March 31, 2019 was \$18, compared to \$18 for the same period in the previous year.

**Cost of Sales/Services**

	<b>3 months ended March 31,</b>			
	<b>2019</b>	<b>% of Total</b>	<b>2018</b>	<b>% of Total</b>
	\$		\$	
Amortization of intangible assets	661	0.7%	1,083	0.5%
Depreciation	17,898	20.0%	26,882	13.0%
Salary	44,504	49.8%	78,237	37.8%
Insurance expenses	16,613	18.6%	20,652	10.0%
Transportation	4,042	4.5%	38,878	18.8%
Others	5,569	6.2%	41,415	19.9%

<b>Total</b>	<u>89,287</u>	<u>100.0%</u>	<u>207,147</u>	<u>100.0%</u>
Less:				
Provision of construction services under a service concession arrangement	-		-	
<b>Adjusted total</b>	<u>89,287</u>		<u>207,147</u>	

Cost of sales/services decreased by \$117,860 to \$89,287 for the three months ended March 31, 2019 compared to \$207,147 for the three months ended March 31, 2018. Costs of sales/services were lower during the period as the Company's expenses were reduced as a result of a drop in number of visitors. In the first quarter of 2019, in response to the drop of visitors, Gongga has implemented off-season working arrangement to reduce operating cost. The salary for ticket office and transportation staffs decreased by \$33,733 compared with same period in 2018. And the cost of transportation also decreased by \$34,836 compared with same period in 2018.

#### Gross Loss

	<u>3 months ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>Increase (decrease )</u>
	\$	\$	
Gross loss	32,824	43,663	-24.8%

The gross loss decreased by \$10,839 to \$32,824 for the three months ended March 31, 2019 from \$43,663 for the three months ended March 31, 2018. The gross loss decreased mainly due to the costs of sales was lower in 2019. In the first quarter of 2019, in response to the drop of visitors, Gongga has implemented off-season working arrangement to reduce operating cost. The salary for ticket office and transportation staffs decreased by \$33,733 compared with same period in 2018. And the cost of transportation also decreased by \$34,836 compared with same period in 2018. Due to the measures mentioned above, the loss was reduced while the revenue was down in the first quarter of 2019 as compare with same period in 2018.

#### Other Income

	<u>3 months ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>Increase (decrease)</u>
	\$	\$	
Other income	5,152	69,676	-92.6%

Other income consists of imputed interest income on advances to a local authority, Hailuogou Authority (see note 6 to the unaudited interim condensed consolidated financial statements), which was advanced in prior years; bank interest income; investment income and sundry income. Other income decreased by \$64,524 to \$5,152 for the three months ended March 31, 2019 from \$69,676 for the three months ended March 31, 2018. The decrease is mainly due to the drop in investment income.

#### Marketing Expenses

3 months ended March 31,

	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$	
Marketing expenses	138,541	203,226	-31.8%

Marketing expenses decreased by \$64,685 to \$138,541 for the three months ended March 31, 2019 from \$203,226, compared to last year. This decrease is mainly due to the reduction of marketing staff salaries and advertising expenses. In the first quarter of 2019, in response to the drop of visitors, Gongga has implemented off-season working arrangement to reduce operating cost. The salary for marketing staffs decreased by \$29,855 compared with same period in 2018. The advertising expenses decreased by \$5,205 compared with same period in 2018.

#### Administrative Expenses

	<b>3 months ended March 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$	
Administrative expenses	340,084	429,472	-20.8%

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

Administrative expenses decreased by \$89,388 to \$340,084 for the three months ended March 31, 2019 from \$429,472 for the three months ended March 31, 2018. The decrease was mainly due to the reduction of directors' remuneration expenses during this period: All directors voluntarily reduced their remunerations in 2019, with an aggregated amount of \$99,000 compare with same period in 2018

#### Other Gain

	<b>3 months ended March 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$	
Other gain	122,020	160,020	-23.7%

Other gain comprises exchange gain. For the three months ended March 31, 2019, exchange gain was \$122,020, compared to \$160,020 for the three months ended March 31, 2018. The exchange gain was mainly due to the revaluation of CAD against RMB, resulting in an unrealized exchange gain incurred by one of the Group's subsidiaries, of which the functional currency is RMB.

#### Income Tax Credit

	<b>3 months ended March 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$	
Current tax	-	-	N/A
Deferred tax - current period	-	-	N/A

The statutory income tax rates were 26%, 16.5% and 25% in Canada, Hong Kong and the PRC, respectively. No provision for current income tax has been made for operations in Canada, Hong Kong and the PRC as the operations had no assessable profit for the three months ended March 31, 2019 and 2018.

### Net Loss

	<b>3 months ended March 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase (decrease)</b>
	\$	\$	
Net loss	410,333	470,932	-12.9%
Less:			
Non-cash unrealized exchange gain	122,020	160,020	
Adjusted net loss	<u>532,353</u>	<u>630,952</u>	-15.6%

Net loss decreased by 12.9% to \$410,333 for the three months ended March 31, 2019, compared to \$470,932 for the three months ended March 31, 2018. The Group managed to reduce its cost with a higher level than its decrease in revenue. Cost of sales/services decreased by \$117,860 to \$89,287 for the three months ended March 31, 2019 compared to \$207,147 for the three months ended March 31, 2018. Cost of sales/services were lower during the period as a lower number of visitors led to drop in Group's expenses. Marketing expenses decreased by \$64,685 to \$138,541 for the three months ended March 31, 2019 from \$203,226, compared to last year. The decrease mainly due to the reduction of marketing staff salaries and advertising expenses. Administrative expenses decreased by \$89,388 to \$340,084 for the three months ended March 31, 2019 from \$429,472 for the three months ended March 31, 2018. The decrease was mainly due to the decrease in salary expenses during this period, as all directors voluntarily reduced their salaries in 2019, with an aggregated amount of \$99,000 compare with same period in 2018.

### Summary of Quarterly Results

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

	3 months ended and as at Mar 31, 2019	3 months ended and as at Dec 31, 2018	3 months ended and as at Sep 30, 2018	3 months ended and as at Jun 30, 2018
	\$	\$	\$	\$
Total Assets	5,581,602	6,001,732	6,817,323	7,964,499
Working Capital	(2,417,827)	(2,003,536)	(574,629)	187,784
Equity	1,668,008	2,042,669	3,557,111	4,615,447
Total Revenue	56,463	128,941	72,944	138,935
Loss before tax				
(i) Total for the period	410,333	1,705,659	576,013	595,950
(ii) per share - basic	0.01	0.02	0.01	0.01
(iii) per share - fully diluted	0.01	0.02	0.01	0.01

Net Loss

AMENDED AND RESTATED

(i) Total for the period	410,333	1,705,659	576,013	595,950
(ii) per share - basic	0.01	0.39	0.01	0.01
(iii) per share - fully diluted	0.01	0.39	0.01	0.01
	3 months ended and as at Mar 31, 2018	3 months ended and as at Dec 31, 2017	3 months ended and as at Sep 30, 2017	3 months ended and as at Jun 30, 2017
Total Assets	8,868,126	9,294,616	34,815,799	35,297,714
Working Capital	911,506	1,164,932	3,429,149	3,048,629
Equity	5,331,090	5,304,832	30,626,940	30,994,152
Total Revenue	163,484	370,713	392,025	465,620
Loss before tax				
(i) Total for the period	470,932	26,318,620	1,316,239	1,419,166
(ii) per share - basic	0.01	0.02	0.02	0.02
(iii) per share - fully diluted	0.01	0.02	0.02	0.02
Net Loss				
(i) Total for the period	470,932	26,318,620	1,316,239	1,419,166
(ii) per share - basic	0.01	0.39	0.02	0.02
(iii) per share - fully diluted	0.01	0.39	0.02	0.02

The company revenue and net assets have declined in the past eight quarters, due to a decrease of number of visitors.

On December 31, 2017, total assets decreased significantly compared with the previous quarter, mainly due to the company's substantial provision for asset impairment. Since December 31, 2017, total assets have steadily decreased, mainly due to the increase of operating losses and deduction of monetary funds. This also leads the decrease of equity.

Working Capital increased in the third quarter of 2017 compared with the previous quarter because shareholder Zhao Yuxiu increased her capital by \$1,731,509 on August 24, 2017. Since December 31, 2018, Working Capital has gradually decreased, mainly due to the increase of operating losses and deduction of monetary funds.

In the first quarter of 2019 and all year of 2018, the trend of net loss is steady, but there is a significant loss in the fourth quarter of 2017. The main cause of the large loss is the company's substantial provision for impairment of assets on December 31, 2017.

### 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 Group believes that it has the flexibility to obtain, from current cash holdings, ongoing operations and loan from shareholders, the funds needed to fulfill its cash requirements during the current financial year. The Group's main source of funds is from admission and

attraction ticket sales, cash on hand and loan from shareholders. As of March 31, 2019, the company had cash of \$1,179,032. The main purpose of cash was operating activities expense.

During the period, the Group's use of funds was primarily for its operating expenses.

	<b>3 months ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Net cash used in operating activities	(574,993)	(844,074)
Net cash used in investing activities	589,913	3,305
Effects of foreign exchange rate changes on cash	(24,621)	(29,040)
Net decrease in cash	(9,701)	(869,809)
 Working capital	 (2,417,827)	 911,506

The net cash used in operating activities for the three months ended March 31, 2019 increased due to less loss for the period.

The net cash used in investing activities for the three months ended March 31, 2019 consists of the bank interest income in the amount of \$5,152 and redemption of structured deposits in the amount of \$584,761. The net cash used in investing activities for the same period in 2018 was the bank interest income of \$3,884, offset by the acquisition of property, plant and equipment in the amount of \$579. The increase mainly caused by the redemption of structured deposit.

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

On December 21, 2018, the Company announces that it proposes (i) to effect a cash distribution of \$0.075 per common share (the "Common Share") to shareholders by way of a return of capital (the "Distribution") and to correspondingly reduce the stated capital (the "Stated Capital Reduction") of the Common Shares, and (ii) to sell (the "Transaction") all of the shares ("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 Transaction 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 Transaction, 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. For the source of the funds is the cash held by company and loan from shareholder Yuxiu Zhao

Working capital decreased from \$911,506 as at March 31, 2018 to \$-2,417,827 as at March 31, 2019 mainly due to continued operating losses. Before the distribution, the company's operating capital mainly comes from the operating income and cash on hand. If the company's income and cash on hand cannot cover its operating capital, the company may borrow from the shareholders. In addition, the directors also prepared another cash flow projection of the Group which has assumed that the Distribution, the Stated Capital Reduction and the Transaction would not be completed, the directors consider that the Group will have sufficient working capital to meet in full its financial obligations as they fall due at least the next twelve months from the date of approving and authorising for issuing the consolidated financial statements by the Board of Directors and accordingly, the consolidated financial statements have been prepared on a going concern basis.

**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.

Contractual Obligation	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Lease Obligations <sup>(1)</sup>	98,664	81,564	17,100	-	-
Purchase Obligations <sup>(2)</sup>	1,735,785	1,232,729	503,056	-	-
Amounts due to related parties <sup>(3)</sup>	318,106	239,938	78,168	-	-
Loan from related parties <sup>(3)</sup>	2,042,095	-	2,042,095	-	-
Other Obligations <sup>(4)</sup>	1,481,665	1,481,665	-	-	-

Notes:

- (1) Represents all operating lease payments for office space and office equipment.
- (2) Represents all payables should be pay including: construction expenses, admission ticket sales proceeds entitled by a local authority, legal and professional fee, advertising expenses, salary expenses, and sub-contracting expenses.
- (3) Represents related party balance and transactions to Chong's Family (refer to note 9 of interim financial statement)
- (4) Represents the payment about sell all the TWEL share in July 2019.

**Capital Resources**

The Group's capital expenditure primarily relates to its investment in the property, plant and equipment required in its business operations. After having sold all of the shares of its wholly-owned subsidiary, TWEL, the company will become a shell company with no material assets or liabilities and active business. The company has stopped further investment in capital expenditure. For the Group, there will have no any capital resource after sold the subsidiary.

**Off-Balance Sheet Arrangements**

The Group has no off-balance sheet arrangements.

**Related Party Balances and Transactions**

As at March 31, 2019, the Group had a current and non-current balance due to a related party, Chong's Family, in the amount of \$2,042,095 (2018: \$1,970,772).

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

	3 months ended March 31,	
	2019	2018
Interest expenses to related parties	\$ 26,056	\$ 24,267

**Financial Instruments and Other Instruments**

The Group held cash of \$1.2 million on its interim condensed consolidated statement of financial position as at March 31, 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 \$0.044 million and \$0.0075 million as at March 31, 2019 and December 31, 2018 respectively, and liabilities were \$2.1 million and \$2.2 million as at March 31, 2019 and December 31, 2018 respectively.

In the first quarter of 2019 RMB is appreciation against CAD. Management expects the exchange rate will fluctuate later. Management will closely monitor the trend appreciation of the RMB and assessing its relevant impact on our performance, will propose positive plans to reduce the overall impact on the company's business operations.

#### *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 directors of the Company consider bank balances that are deposited with financial institutions with high credit rating to be low credit risk financial assets. The directors of the Company consider that the probability of default is negligible on the basis of high-credit rating issuers during the period ended March 31, 2019 and the year ended December 31, 2018.

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

As at December 31, 2018, March 31, 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.

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

This MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto for the years ended December 31, 2018 and 2017 of the Group. Note 2 to the audited consolidated financial statements outlines the significant accounting principles and policies used to prepare these consolidated financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on reported results or financial position.

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

*Estimated impairment of advances to a local authority*

When there is objective evidence of impairment loss, management of the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment on advances to a local authority is considered necessary for the three months ended March 31, 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.

For the year ended December 31, 2017, impairment losses of \$10,163,037 and write-off of \$7,471,811 was recognised in the consolidated statement of profit or loss in respect of property, plant and equipment. No further impairment loss and write-off was made during the three months ended March 31, 2019 and 2018.

*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. Intangible asset arising from a services concession arrangement of \$7,770,223 is fully impaired during the year ended December 31, 2017.

### 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 Share Purchase transaction and Distribution have been completed, the Company become a “shell” company with no materials assets, or liabilities and no active business. The principle business of the Company will be to identify and evaluate companies’ assets or business with completing a transaction, which will be significantly from its current business.

#### *Unfavorable weather conditions*

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

#### *Natural disasters*

The Group’s operation of Swallow Gully will be adversely affected by natural disasters such as earthquakes or landslides. Swallow Gully is located in Sichuan Province of the PRC, which is an area prone to earthquakes, landslides and other natural disasters. If any of these natural disasters takes place in or near Swallow Gully, it may damage infrastructure or improvements existing or to be developed on or near Swallow

Gully, directly impacting the operations of the Group by restricting visitors from coming to Swallow Gully, delay or postpone planned development or construction of certain projects, and discourage visitors from traveling to the area in general and reduce the number of visitors to the Swallow Gully. In 2009, there was a landslide that occurred in the Swallow Gully and Gongga was required to remedy the effects caused by the landslide. Therefore, a natural disaster taking place in or near Swallow Gully may force the Group to suspend its operations for an indefinite period and cause the Group to incur additional expenditures, for which the Group is currently unable to obtain adequate insurance, and give rise to a material adverse effect on its financial condition and results of operation.

*Competition from nearby scenic tourism areas*

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

*Changes in Chinese laws and regulations*

Gongga is subject to a wide variety of laws and regulations relating to scenic area administration, natural reserve area protection, land use and development, and environmental compliance and permitting obligation. Such laws and regulations could change in a manner that materially and adversely affects the Group's ability to conduct its business and to implement desired expansions and improvements to its facilities.

**Additional Information**

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