

ALPHA PEAK LEISURE INC.

Report and Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

ALPHA PEAK LEISURE INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA PEAK LEISURE INC.
(incorporated in British Columbia, Canada with limited liability)

Opinion

We have audited the consolidated financial statements of Alpha Peak Leisure Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA PEAK LEISURE INC. - continued
(incorporated in British Columbia, Canada with limited liability)

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ALPHA PEAK LEISURE INC. - continued
(incorporated in British Columbia, Canada with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Toy, Jimmy.

“Deloitte Touche Tohmatsu”

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 30, 2019

ALPHA PEAK LEISURE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2018 AND 2017
(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2018</u> \$	<u>2017</u> \$
Non-current assets			
Property, plant and equipment	6	1,709,030	1,820,564
Intangible asset arising from a service concession arrangement	7	-	-
Prepaid lease payment	8	290,569	296,600
Intangible assets	9	4,147	8,003
Advances to a local authority	10	2,042,459	2,014,733
		<u>4,046,205</u>	<u>4,139,900</u>
Current assets			
Inventories	11	23,244	26,334
Trade and other receivables, prepayments and deposits	12	158,789	128,776
Structured deposits	13	584,761	2,403,430
Bank balances and cash	14	1,188,733	2,596,176
		<u>1,955,527</u>	<u>5,154,716</u>
Current liabilities			
Other payables	15	1,789,148	2,012,879
Amounts due to related parties	16	110,480	48,216
Loan from related parties	16	2,059,435	1,928,689
		<u>3,959,063</u>	<u>3,989,784</u>
Net current (liabilities) assets		<u>(2,003,536)</u>	<u>1,164,932</u>
Net assets		<u>2,042,669</u>	<u>5,304,832</u>
Equity			
Share capital	17	69,397,965	69,397,965
Reserves		<u>(67,355,296)</u>	<u>(64,093,133)</u>
		<u>2,042,669</u>	<u>5,304,832</u>

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

The consolidated financial statements on pages 4 to 56 were approved and authorised for issue by the Board of Directors on April 30, 2019 and are signed on its behalf by:

"Yuxiu Zhao"

Yuxiu Zhao, Director

"Kevin Wei"

Kevin Wei, Director

ALPHA PEAK LEISURE INC.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2018</u> \$	<u>2017</u> \$
Revenue	18	504,304	1,391,549
Cost of sales/services		<u>(544,775)</u>	<u>(2,231,454)</u>
Gross loss		(40,471)	(839,905)
Other income	19	181,898	131,852
Other (losses) and gains	20	(262,636)	142,795
Finance costs		(99,764)	(99,604)
Marketing expenses		(711,010)	(880,177)
Administrative expenses		(2,547,803)	(3,282,770)
Impairment loss recognised in respect of intangible asset arising from a service concession arrangement	7	-	(7,770,223)
Write-off in respect of property, plant and equipment	6	-	(7,471,811)
Impairment loss recognised in respect of property, plant and equipment	6	-	<u>(10,163,037)</u>
Loss before tax		(3,479,786)	(30,232,880)
Income tax expense	21	-	-
Loss for the year		<u>(3,479,786)</u>	<u>(30,232,880)</u>
Other comprehensive income (expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>217,623</u>	<u>(870)</u>
Total comprehensive expense for the year		<u>(3,262,163)</u>	<u>(30,233,750)</u>
Losses per share:	22		
Basic (Canadian dollar)		(0.05)	(0.45)
Diluted (Canadian dollar)		<u>(0.05)</u>	<u>(0.45)</u>
Weighted average number of common shares outstanding:	22		
Basic		72,077,073	66,655,068
Diluted		<u>72,077,073</u>	<u>66,655,068</u>

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

ALPHA PEAK LEISURE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(expressed in Canadian Dollars)

	Share capital \$	Capital reserve \$ (note i)	Share option reserve \$	Exchange reserve \$ (note ii)	Accumulated losses \$	Total \$
At January 1, 2017	<u>67,658,582</u>	<u>3,210,875</u>	<u>1,147,527</u>	<u>5,938,947</u>	<u>(44,156,732)</u>	<u>33,799,199</u>
Loss for the year	-	-	-	-	(30,232,880)	(30,232,880)
Other comprehensive expense for the year	-	-	-	(870)	-	(870)
Total comprehensive expense for the year	-	-	-	(870)	(30,232,880)	(30,233,750)
Forfeiture of share options (note 17)	-	-	(544,013)	-	544,013	-
Common shares issued (note 17)	<u>1,739,383</u>	-	-	-	-	<u>1,739,383</u>
At December 31, 2017	<u>69,397,965</u>	<u>3,210,875</u>	<u>603,514</u>	<u>5,938,077</u>	<u>(73,845,599)</u>	<u>5,304,832</u>
Loss for the year	-	-	-	-	(3,479,786)	(3,479,786)
Other comprehensive income for the year	-	-	-	217,623	-	217,623
Total comprehensive income (expense) for the year	-	-	-	217,623	(3,479,786)	(3,262,163)
Forfeiture of share options (note 17)	-	-	(59,501)	-	59,501	-
At December 31, 2018	<u>69,397,965</u>	<u>3,210,875</u>	<u>544,013</u>	<u>6,155,700</u>	<u>(77,265,884)</u>	<u>2,042,669</u>

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.

ALPHA PEAK LEISURE INC.CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
		\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the year		(3,479,786)	(30,232,880)
Adjustments for:			
Imputed interest income on advances to a local authority		(89,416)	(118,424)
Bank interest income		(11,022)	(13,428)
Interest income from structured deposits		(69,124)	-
Unrealised foreign exchange loss (gain)		244,408	(158,135)
Amortisation of intangible assets		3,993	4,411
Release of prepaid lease payment		10,112	9,975
Loss on disposal of property, plant and equipment		4,769	15,334
Fair value loss on advances to a local authority		89,416	-
Interest expense		99,764	99,604
Amortisation of intangible asset arising from a service concession arrangement		-	258,657
Depreciation of property, plant and equipment		132,116	768,193
Impairment loss recognised in respect of intangible asset arising from a service concession arrangement	7	-	7,770,223
Write-off in respect of property, plant and equipment	6	-	7,471,811
Impairment loss recognised in respect of property, plant and equipment	6	-	10,163,037
Decrease in inventories		3,474	2,834
Increase in trade and other receivables, prepayments and deposits		(28,457)	(3,316)
(Decrease) increase in other payables		(259,047)	508,815
Increase in an amount due to related party		6,611	-
		<u>(3,342,189)</u>	<u>(3,453,289)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Placement of structured deposits		(4,708,028)	(2,403,430)
Redemption of structured deposits		6,571,622	-
Purchases of property, plant and equipment		(9,232)	(768,193)
Proceeds from disposal of property, plant and equipment		12,592	-
Interest received		11,022	13,428
Interest received from structured deposits		69,124	-
		<u>1,947,100</u>	<u>(3,158,195)</u>
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Proceeds from issue of common shares		-	1,739,383
Repayments to a shareholder		-	(243,106)
Interest paid to related parties		(49,572)	-
		<u>(49,572)</u>	<u>1,496,277</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH			
		<u>37,218</u>	<u>(29,040)</u>
DECREASE IN CASH		(1,407,443)	(5,144,247)
CASH AT BEGINNING OF THE YEAR		<u>2,596,176</u>	<u>7,740,423</u>
CASH AT END OF THE YEAR		<u>1,188,733</u>	<u>2,596,176</u>

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

ALPHA PEAK LEISURE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (expressed in Canadian Dollars)

1. BACKGROUND AND NATURE OF OPERATIONS

Alpha Peak Leisure Inc. (the "Company") was incorporated on June 24, 2011 under the *British Columbia Business Corporation Act* and commenced trading on the TSX Venture Exchange (the "TSX-V") as a Capital Pool Company pursuant to Exchange Policy 2.4. The address of the Company's registered office is 250 Howe Street, 20th Floor, Vancouver, British Columbia V6C 3R8, Canada.

The principal activity of the Company, through its subsidiaries (collectively referred to as the "Group"), is developing and operating Swallow Gully Scenic Area, a large scale tourist attraction site in Sichuan Province, the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Canadian Dollar ("CAD" or "\$"), which is the Company's functional currency and the Group's presentation currency.

2. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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 (as defined and disclosed in note 31 "SUBSEQUENT EVENT") 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, respectively, as disclosed in note 16;
- (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 (as defined in note 27), as disclosed in note 31; and
- (iv) the additional funding from a shareholder who has agreed to provide adequate financial support to the Company to settle the debts arising from the Distribution, Stated Capital Reduction and the Transaction (as defined in note 31) when fall due.

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 as set out in note 31 would not be completed and executed by June 30, 2019, 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.

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.

3.1 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.

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 - continued

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.

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.

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 - continued

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 \$
Closing balance at December 31, 2017 - IAS 39	2,403,430	-
Effect arising from initial application of IFRS 9:		
Reclassification		
From designated at FVTPL (a)	(2,403,430)	2,403,430
Opening balance at January 1, 2018	<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 ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1 and IAS 8	Definition of Material ⁵
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle ¹

¹ Effective for annual periods beginning on or after January 1, 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after January 1, 2021.

⁴ 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.

⁵ 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Functional and presentation currency

Judgment is required to determine the functional currency of the Company and its subsidiaries. These judgments, including the assessments of primary economic environment of each entities, are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

The Company has adopted \$ as its functional currency since its incorporation and its subsidiaries have adopted Renminbi ("RMB") as their functional currency. Taking consideration that the currency of the primary economic environment in which the Company operates and of its business transactions, particularly those related to the financing activities, denominated is still \$, management considers to maintain \$ as its functional currency.

Income taxes

The Group is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY - continued

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other 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.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost or revalued amount less subsequent accumulated depreciation and accumulated impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recognised. 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 or cash-generating unit. 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 profit or loss, 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 year ended December 31, 2018.

As at December 31, 2018, the carrying value of the property, plant and equipment was \$1,709,030 (2017: \$1,820,564).

Fair value measurement of financial instruments

The structured deposits amounting to \$584,761 as at December 31, 2018 (\$2,403,430 as at December 31, 2017) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 29c for further disclosures.

Provision of ECL for advances to a local authority

For the year ended December 31, 2018, the Group performed impairment assessment on advances to a local authority and concluded that the probability of defaults of the local authority is insignificant and accordingly, no allowance for credit losses is provided.

As at December 31, 2018, the carrying amount of advances to a local authority is \$2,042,459 (2017: \$2,014,733).

ALPHA PEAK LEISURE INC.

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Attractions and improvement</u> \$	<u>Buildings</u> \$	<u>Motor vehicles</u> \$	<u>Others</u> \$	<u>Total</u> \$
COST OR VALUATION					
At January 1, 2017	19,593,177	2,271,546	1,447,142	122,774	23,434,639
Additions	714,950	-	81,557	17,957	814,464
Disposal	-	-	(205,972)	(29,622)	(235,594)
Foreign exchange adjustment	(111,748)	(13,860)	(6,544)	(1,620)	(133,772)
Write-off	<u>(8,424,191)</u>	<u>(338,843)</u>	<u>-</u>	<u>-</u>	<u>(8,763,034)</u>
At December 31, 2017 and January 1, 2018	11,772,188	1,918,843	1,316,183	109,489	15,116,703
Additions	-	-	-	9,232	9,232
Disposal	-	-	(321,789)	(25,385)	(347,174)
Foreign exchange adjustment	<u>162,002</u>	<u>29,485</u>	<u>20,159</u>	<u>1,930</u>	<u>213,576</u>
At December 31, 2018	<u>11,934,190</u>	<u>1,948,328</u>	<u>1,014,553</u>	<u>95,266</u>	<u>14,992,337</u>
Comprising:					
At December 31, 2018					
At cost	-	-	1,014,553	95,266	1,109,819
At valuation	<u>11,934,190</u>	<u>1,948,328</u>	<u>-</u>	<u>-</u>	<u>13,882,518</u>
	<u>11,934,190</u>	<u>1,948,328</u>	<u>1,014,553</u>	<u>95,266</u>	<u>14,992,337</u>
At December 31, 2017					
At cost	-	-	1,316,183	109,489	1,425,672
At valuation	<u>11,772,188</u>	<u>1,918,843</u>	<u>-</u>	<u>-</u>	<u>13,691,031</u>
	<u>11,772,188</u>	<u>1,918,843</u>	<u>1,316,183</u>	<u>109,489</u>	<u>15,116,703</u>
DEPRECIATION					
At January 1, 2017	2,206,290	371,651	1,213,723	60,252	3,851,916
Provided for the year	593,808	61,927	81,261	31,197	768,193
Eliminated on write-off	(1,223,797)	(67,426)	-	-	(1,291,223)
Eliminated on disposal	-	-	(195,674)	(24,586)	(220,260)
Impairment loss recognised in profit and loss	10,163,037	-	-	-	10,163,037
Foreign exchange adjustment	<u>32,850</u>	<u>(2,182)</u>	<u>(5,526)</u>	<u>(666)</u>	<u>24,476</u>
At December 31, 2017 and January 1, 2018	11,772,188	363,970	1,093,784	66,197	13,296,139
Provided for the year	-	52,524	59,092	20,500	132,116
Eliminated on disposal	-	-	(305,699)	(24,114)	(329,813)
Foreign exchange adjustment	<u>162,002</u>	<u>5,287</u>	<u>16,619</u>	<u>957</u>	<u>184,865</u>
At December 31, 2018	<u>11,934,190</u>	<u>421,781</u>	<u>863,796</u>	<u>63,540</u>	<u>13,283,307</u>
CARRYING AMOUNTS					
At December 31, 2018	<u>-</u>	<u>1,526,547</u>	<u>150,757</u>	<u>31,726</u>	<u>1,709,030</u>
At December 31, 2017	<u>-</u>	<u>1,554,873</u>	<u>222,399</u>	<u>43,292</u>	<u>1,820,564</u>

6. PROPERTY, PLANT AND EQUIPMENT - continued

In the opinion of management, there was no material difference between the fair value of property, plant and equipment including the Relevant Buildings measured at revaluation basis and their carrying amounts as of December 31, 2018, accordingly, no revaluation is performed for these assets as at December 31, 2018. The carrying amount of these assets as at December 31, 2018 was \$1,526,547.

Impairment loss recognised during the year ended December 31, 2017:

As a result of the unfavourable performance and change in business plan of Gongga Terraferma Limited ("Gonga"), management conducted impairment assessments of the property, plant and equipment and intangible asset arising from a service concession arrangement of Gongga. Except for the Relevant Buildings, Gongga is considered as a CGU for the purpose of the impairment test. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

The recoverable amount of Gongga, excluding the revalued amount of the Relevant Buildings, as at December 31, 2017 was determined based on value in use calculation and certain key assumptions. Value in use calculation used cash flow projections based on financial budgets approved by the management covering a five-year period. Discount rate used for the value in use calculations is at 18.34%. Cash flow beyond the five-year period was extrapolated using a growth rate of 3.0%. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin. Such estimation was based on the management's expectations for the market development.

During the year ended December 31, 2017, an impairment loss of \$10,163,037 was recognised in respect of attractions and improvement in the consolidated statement of profit or loss. In addition, a write-off of \$7,471,811 was recognised in the consolidated statement of profit or loss during the year ended December 31, 2017, of which (i) \$7,200,394 was in relation to attractions and improvement; and (ii) \$271,417 was in relation to buildings.

In the opinion of management, except for the Relevant Buildings, there was no material difference between the fair value of the remaining property, plant and equipment measured at revaluation basis and their carrying amounts as of December 31, 2017, accordingly, no revaluation was performed for these assets as at December 31, 2017. The carrying amount of the Relevant Buildings carried at revalued amount as at December 31, 2017 was \$1,554,873.

ALPHA PEAK LEISURE INC.

7. INTANGIBLE ASSET ARISING FROM A SERVICE CONCESSION ARRANGEMENT

	\$
COST	
At January 1, 2017	9,147,324
Foreign exchange adjustment	<u>(38,342)</u>
At December 31, 2017 and January 1, 2018	9,108,982
Foreign exchange adjustment	<u>125,351</u>
At December 31, 2018	<u>9,234,333</u>
AMORTISATION	
At January 1, 2017	1,084,297
Foreign exchange adjustment	(4,195)
Provided for the year	258,657
Impairment loss recognised in profit and loss	<u>7,770,223</u>
At December 31, 2017 and January 1, 2018	9,108,982
Foreign exchange adjustment	<u>125,351</u>
At December 31, 2018	<u>9,234,333</u>
CARRYING AMOUNT	
At December 31, 2017 and December 31, 2018	<u><u>-</u></u>

Gonga, a wholly owned subsidiary of the Company, entered into a service concession arrangement with Ganzi Hailuogou Attractions Authority ("Grantor"), a local authority in the PRC, in 2007 in respect of the construction and operation of tourist attraction business in Sichuan Province, the PRC. The service concession period is 40 years.

Gonga acted as an operator in the service concession arrangement to construct the tourist attraction and to operate and maintain the tourist attraction at a specified level of serviceability on behalf of the local authority over the service concession period on a build-operate-transfer ("BOT") basis. The tourist attraction on a BOT basis mainly includes the basic infrastructure in the tourist attraction such as the pavements, electricity supply, restaurants etc.

Under the service concession arrangement contract, the Group can share 80% of the admission ticket sales and entitle to the entire amount of attraction ticket sales with the remaining 20% admission ticket sales shared by the Grantor. During the operation phase of the service concession period, the Group is not entitled to receive guaranteed receipts of tourist operation from the Grantor.

ALPHA PEAK LEISURE INC.

7. INTANGIBLE ASSET ARISING FROM A SERVICE CONCESSION ARRANGEMENT - continued

Intangible asset arising from a service concession arrangement represents costs incurred by the Group for the construction services rendered under a service concession arrangement for the tourist attraction in the PRC on a BOT basis.

For the years ended December 31, 2018 and December 31, 2017, no revenue was recognised from construction services in relation to the tourist attraction under BOT.

The intangible asset arising from a service concession arrangement has finite useful lives and amortised over the period which commence from the date when the part of the tourist attraction site is available for use, i.e. 36 to 40 years, using a straight-line method.

As disclosed in note 5, management conducted impairment assessments of the property, plant and equipment and intangible asset arising from a service concession arrangement of Gongga due to unfavourable performance and change in business plan of Gongga.

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

As at December 31, 2018 and December 31, 2017, the carrying amount of intangible asset arising from a service concession arrangement was \$nil.

8. PREPAID LEASE PAYMENT

	<u>2018</u>	<u>2017</u>
	\$	\$
The Group's prepaid lease payment comprises:		
Leasehold interest in land in the PRC	300,681	306,575
Analysed for reporting purpose as:		
- Current asset	10,112	9,975
- Non-current asset	290,569	296,600
	<u>300,681</u>	<u>306,575</u>

The Group's prepaid lease payment represents the payment for land use right situated in the PRC.

ALPHA PEAK LEISURE INC.

9. INTANGIBLE ASSETS

	Hot spring prospecting rights	Trademark	Patent	Others	Total
	\$	\$	\$	\$	\$
COST					
At January 1, 2017	63,458	10,311	637	22,611	97,017
Foreign exchange adjustment	(267)	(44)	(2)	(95)	(408)
At December 31, 2017 and January 1, 2018	63,191	10,267	635	22,516	96,609
Foreign exchange adjustment	870	142	8	310	1,330
At December 31, 2018	64,061	10,409	643	22,826	97,939
AMORTISATION					
At January 1, 2017	60,207	8,673	462	15,201	84,543
Foreign exchange adjustment	(250)	(35)	(2)	(61)	(348)
Provided for the year	1,412	687	63	2,249	4,411
At December 31, 2017 and January 1, 2018	61,369	9,325	523	17,389	88,606
Foreign exchange adjustment	837	123	7	226	1,193
Provided for the year	1,248	679	65	2,001	3,993
At December 31, 2018	63,454	10,127	595	19,616	93,792
CARRYING AMOUNTS					
At December 31, 2018	607	282	48	3,210	4,147
At December 31, 2017	1,822	942	112	5,127	8,003

10. 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.

During the year ended December 31, 2018, imputed interest income of \$89,416 (2017: \$118,424) has been recognised and included in "Other income".

The advances are interest-free and unsecured.

During the year ended December 31, 2018, management has re-assessed the expected settlement date of the advances to a local authority and resulted in a fair value loss of \$89,416 (2017: \$nil) has been recognised and included in "Other (losses) and gains". 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.

Details of impairment assessment of advances to a local authority for the year ended December 31, 2018 are set out in note 29.

ALPHA PEAK LEISURE INC.

11. INVENTORIES

	<u>2018</u>	<u>2017</u>
	\$	\$
Consumable goods	921	2,359
Souvenirs	<u>22,323</u>	<u>23,975</u>
	<u>23,244</u>	<u>26,334</u>

During the year ended December 31, 2018, the Group recognised \$137,963 (2017: \$125,495) of inventory as an expense within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During the years ended December 31, 2018 and December 31, 2017, no write-downs and reversals of write-downs in respect of inventories is recognised. No inventories have been pledged as security for liabilities as at December 31, 2018 and December 31, 2017.

12. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade receivables	-	6,812
Less: allowance for credit losses	<u>-</u>	<u>-</u>
	-	6,812
Prepayments and advances	102,538	77,566
Deposits	31,508	-
Value-added tax receivables	24,743	-
Other receivables	<u>-</u>	<u>44,398</u>
	<u>158,789</u>	<u>128,776</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.

Before granting credit period to any new travel agent, the Group has assessed the credit quality of each potential travel agent and defined credit rating and limit for each travel agent. In addition, the Group has reviewed the repayment history of receivables by each travel agent with reference to the payment terms stated in contracts to determine the recoverability of receivables.

As at December 31, 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of \$nil (2017: \$6,812) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as they have substantially settled subsequent to the end of the reporting period or there was no historical default of payments by the respective travel agents. The Group does not hold any collateral over these balances.

As at December 31, 2017, trade receivables which are past due but not impaired based on due date was aged within 91 to 180 days.

ALPHA PEAK LEISURE INC.

13. STRUCTURED DEPOSITS

The structured deposits as at December 31, 2018 represented a deposit of RMB3,000,000 (equivalent to \$584,761) (2017: RMB12,500,000 (equivalent to \$2,403,430)) which were issued by a bank in the PRC. The structured deposits carry interests at expected interest rate that range from 2.3% to 2.5% (2017: 2.8% to 4.65%) per annum, which are linked to the performance of the underlying money instruments and debt instruments. Interest payable upon redemption, which the structured deposit is held at least 14 days from the date of purchase then redeemable on demand. The structured deposits are classified as financial assets at FVTPL on initial recognition as it contains non-closely related embedded derivative.

No change in fair value for the structured deposits is recognised in the consolidated statement of profit or loss for the years ended December 31, 2018 and December 31, 2017 as the effect is not significant.

14. BANK BALANCES AND CASH

As at December 31, 2018, bank balances carry variable interest rate at prevailing market rate of ranging from 0.01% to 2.2% (2017: 0.01% to 1.45%) per annum.

For the year ended December 31, 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the banks is insignificant and accordingly, no allowance for credit losses is provided.

15. OTHER PAYABLES

	<u>2018</u>	<u>2017</u>
	\$	\$
Constructions expenses	423,507	575,025
Admission ticket sales proceeds entitled by a local authority	495,477	451,450
Legal and professional fee	412,094	101,743
Advertising expenses	290,741	524,215
Salary expenses	42,987	58,505
Sub-contracting expenses	17,364	18,666
Others	106,978	283,275
	<u>1,789,148</u>	<u>2,012,879</u>

ALPHA PEAK LEISURE INC.

16. AMOUNTS DUE TO/LOAN FROM 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.

On September 1, 2017, the Group entered into a loan assignment agreement with a shareholder and related parties that the shareholder assigned its right relating to the loan and all its interest accrued with an aggregate amount of HK\$12,000,000 (equivalent to approximately \$2,000,000), to the related parties who are the beneficial owners of that shareholder with immediate effective.

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.

Subsequently, on March 20, 2019, the Group entered into an amended extension of loan agreement with the related parties that the maturity of the loan amounted HK\$12,000,000 was extended to December 31, 2020. The amended extension of loan agreement shall supersede the extension of loan agreement dated December 10, 2018.

17. SHARE CAPITAL

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued common shares

	<u>Number of common shares</u>
As of January 1, 2017	64,346,480
Issue of shares (Note)	<u>7,730,593</u>
As of December 31, 2017 and December 31, 2018	<u><u>72,077,073</u></u>
Shown in the consolidated statements of financial position as	<u><u>\$69,397,965</u></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.

ALPHA PEAK LEISURE INC.

17. SHARE CAPITAL - continued

(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 (2017: 320,000) were forfeited following 90 days after the resignation of one share option holder (2017: two share option holders).

As at December 31, 2018, 320,000 (2017: 355,000) share options of the Company were outstanding and were exercisable with a weighted average exercise price of \$0.10. No share options were granted during the years ended December 31, 2018 and 2017.

18. REVENUE

For the year ended December 31, 2018

(i) Disaggregation of revenue from contracts with customers

	<u>2018</u>
	\$
Type of goods and services	
Admission ticket sales	152,225
Attraction ticket sales	340,980
Others	11,099
Total	<u>504,304</u>
Timing of revenue recognition	
A point in time	<u>504,304</u>

For the year ended December 31, 2017

An analysis of the Group's revenue for the year is as follows:

	<u>2017</u>
	\$
Admission ticket sales	515,578
Attraction ticket sales	867,303
Others	8,668
	<u>1,391,549</u>

ALPHA PEAK LEISURE INC.

19. OTHER INCOME

	<u>2018</u>	<u>2017</u>
	\$	\$
Imputed interest income on advances to a local authority (note 10)	89,416	118,424
Interest income from structured deposits	69,124	-
Bank interest income	11,022	13,428
Sundry income	12,336	-
	<u>181,898</u>	<u>131,852</u>

20. OTHER (LOSSES) AND GAINS

	<u>2018</u>	<u>2017</u>
	\$	\$
Exchange (losses) gains, net	(173,220)	142,795
Fair value loss on advances to a local authority	(89,416)	-
	<u>(262,636)</u>	<u>142,795</u>

21. INCOME TAX EXPENSE

The Canadian federal and provincial income tax rate is 26% for both years. No provision for Canadian federal and provincial income tax has been made as the Group did not have any taxable income for both years.

The Hong Kong profit tax rate is 16.5% for both years. No provision for taxation in Hong Kong has been made as the Group did not have any assessable profit arising from Hong Kong for both years.

Under the Law of the PRC on EIT (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Group's principal subsidiary operating in the PRC is 25% for both years.

No provision for EIT has been made as the Group did not have any assessable profit subject to EIT for the both years.

ALPHA PEAK LEISURE INC.

21. INCOME TAX EXPENSE - continued

Income tax expense for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2018</u> \$	<u>2017</u> \$
Loss before tax	<u>(3,479,786)</u>	<u>(30,232,880)</u>
Tax at EIT rate of 25%	(869,947)	(7,558,220)
Tax effect of expenses not deductible for tax purpose	188,500	6,380,462
Tax effect of income not taxable for tax purpose	(42,391)	(32,963)
Tax effect of tax losses not recognised	558,045	1,127,417
Effect of different tax rate of a subsidiary operating in other jurisdiction	<u>165,793</u>	<u>83,304</u>
Income tax expense for the year	<u>-</u>	<u>-</u>

At the end of the reporting period, the Group has unused tax losses of approximately \$24,468,000 (2017: \$22,236,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately \$18,970,000 will expire from 2019 to 2023 (2017: \$17,430,000 will expire from 2018 to 2022), approximately \$2,380,000 will expire from 2033 to 2037 (2017: \$1,837,000 will expire from 2033 to 2037) and approximately \$3,118,000 (2017: \$2,969,000) may be carried forward indefinitely, subject to final determination by tax authorities.

22. LOSSES PER SHARE

The calculation of the basic and diluted losses per share attributable to the owners of the Group is based on the following data:

	<u>2018</u> \$	<u>2017</u> \$
Loss for the year for the purposes of calculation of basic and diluted losses per share	<u>3,479,786</u>	<u>30,232,880</u>
	<u>2018</u>	<u>2017</u>
Weighted average number of common shares for the purposes of calculation of basic and diluted losses per share	<u>72,077,073</u>	<u>66,655,068</u>

The computation of diluted losses per share for both years does not assume the exercise of the Company's outstanding share options since the assumed exercise of those share options would be anti-dilutive.

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23. 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.

24. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	<u>2018</u>	<u>2017</u>
	\$	\$
Minimum lease payments made under operating leases during the year in respect of rented premises	<u>105,508</u>	<u>103,256</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Within one year	89,437	82,551
In the second to fifth year inclusive	<u>37,636</u>	<u>101,762</u>
	<u>127,073</u>	<u>184,313</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of two to five years and rentals are fixed for the term of two to five years.

25. EMPLOYEE BENEFITS

(a) Short-term employee benefits

The total salaries and other short-term employee benefits charged to the consolidated statements of profit or loss and other comprehensive income were \$948,756 (2017: \$1,631,012).

(b) Retirement benefit scheme

The PRC

The employees of the Group's subsidiaries are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended December 31, 2018, total amounts of the state-managed retirement benefits charged to the consolidated statements of profit or loss and other comprehensive income were \$186,932 (2017: \$194,862).

Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees accordingly to the provisions of the MPF Ordinance.

During the year ended December 31, 2018, total amounts of the Group's contribution to the scheme in Hong Kong charged to the consolidated statements of profit or loss and other comprehensive income were \$2,142 (2017: \$8,043).

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26. RELATED PARTY TRANSACTIONS

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Interest expense to a shareholder	-	66,440
Interest expenses to related parties (note (i))	99,764	33,164
Management fee expense to a related party (note (ii))	-	31,347
Consultancy fee expense to a related party (note (iii))	82,230	-

Notes:

- (i) The related parties are the ultimate beneficial owners of a shareholder of the Company.
- (ii) The related party is held by the ultimate beneficial owners of a shareholder of the Company.
- (iii) The related party is the spouse of a director of the Company.
- (b) Balances and other arrangements with related parties are set out in the consolidated statement of financial position on pages 4 and in note 16.
- (c) The Group's key management includes directors (executive and non-executive), the Chairman, the Chief Executive Officer and the Chief Financial Officer. The remuneration of the key management of the Group as defined above, during the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Short-term employee benefits	405,994	1,063,302

During the year ended December 31, 2018, directors fees of \$405,994 (2017: \$707,819) were incurred for both executive and non-executive directors of the Group.

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27. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are as follows:

<u>Name of subsidiary</u>	<u>Places of incorporation/ establishment</u>	<u>Issued and fully paid shares/ registered capital</u>		<u>Equity interest attributable to the Group</u>		<u>Principal activities</u>
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Merit Sign Investment Limited	Hong Kong	HK\$355,265,683	HK\$344,679,523	100%	100%	Investment holding
Total Wonder Enterprise Limited ("TWEL")	British Virgin Islands	HK\$88,729,350	HK\$78,143,190	100%	100%	Investment holding
Gonga Terraferma Limited	The PRC	RMB118,000,000	RMB118,000,000	100%	100%	Development and operation of Swallow Gully

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall capital management strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amounts due to/loan from related parties disclosed in note 16, net of bank balances and cash and equity of the Group, comprising share capital and reserves.

Management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with the capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as issue of new debt.

29. FINANCIAL INSTRUMENTS

29a. Categories of financial instruments

	<u>2018</u>	<u>2017</u>
	\$	\$
Financial assets		
At amortised cost	3,231,192	-
Loans and receivables (including bank balances and cash)	-	4,617,721
FVTPL (including structured deposits)	584,761	2,403,430
	<u>3,815,953</u>	<u>7,021,151</u>
Financial liabilities		
At amortised cost	3,890,862	3,931,279
	<u>3,890,862</u>	<u>3,931,279</u>

29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, advances to a local authority, bank balances and cash, structured deposits, other payables, amounts due to/loan from related parties.

The risks associated with these financial instruments include market risks (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Currency risk

The Group's foreign currency risk exposure is mainly derived from bank balances, amounts due to/loan from related parties denominated in foreign currency. Management monitors foreign exchange fluctuation by closely monitoring the movement of foreign currency rate.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
	Equivalent	Equivalent	Equivalent	Equivalent
\$	2,252	194,895	-	-
Hong Kong dollar	<u>89,393</u>	<u>49,450</u>	<u>2,169,915</u>	<u>1,976,905</u>

Sensitivity analysis

Based on the above exposures, and assuming that all other variables remain constant, a 5% appreciation/depreciation of the functional currencies against the foreign currencies would result in a decrease/increase in the Group's loss for the year of \$103,913 (2017: \$85,816) for the year ended December 31, 2018.

29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies - continued

Market risks - continued

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the bank balances and loan from related parties. Interest rate risk is concentrated on the fluctuation of the Hong Kong Prime Rate for both years.

The Group currently does not have any interest rate hedging policy in relation to cash flow interest rate risks. Management monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the Group's bank balances and loan from related parties.

Total interest income from financial assets that are measured at amortised cost is as follows:

	<u>2018</u>
	\$
Interest income	
Financial assets at amortised cost	<u>100,438</u>
Total interest income	<u><u>100,438</u></u>

Total interest income from financial assets that are measured at amortised cost is as follows:

	<u>2017</u>
	\$
Interest income	
Loans and receivables	<u>131,852</u>
Total interest income	<u><u>131,852</u></u>

29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies - continued

Market risks - continued

(ii) Interest rate risk - continued

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk which relates primarily to variable-rate bank balances and loan from related parties (see note 16 for details of these balances). The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

For the bank balances, if the interest rates for benchmark saving rate had been increased/decreased by 10 basis points and other variables were held constant, the Group's loss for the year ended would decrease/increase by \$1,189 (2017: \$2,596).

For the loan from related parties, if interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year would increase/decrease by \$10,297 (2017: \$9,643).

(iii) Other price risk

The Group is exposed to price risk through its investments in structured deposits as at FVTPL. The structured deposits carry an expected interest rate which are linked to the performance of the underlying investment portfolio including money instruments and debt instruments. In the opinion of management, a reasonably possible change in the prices of the respective instruments will not have a significant impact on the pre-tax loss for the year ended December 31, 2018 and December 31, 2017 as a result of the changes in fair value of structured deposits.

29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies - continued

Credit risk and impairment assessment

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

Advances to a local authority

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 risk of the advances to a local authority are insignificant after the assessment.

Bank balances and structured deposits

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 years ended December 31, 2018 and 2017.

In addition, the directors of the Company consider structured deposits that are deposited with financial institutions with high credit rating. The directors of the Company consider that the credit risk of the structured deposits is insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

<u>Internal credit rating</u>	<u>Description</u>	<u>Trade receivables/ contract assets</u>	<u>Other financial assets/other items</u>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The table below details the credit risk exposure of the Group's financial assets, which are subject to ECL assessment:

<u>2018</u>	<u>Notes</u>	<u>External credit rating</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u> \$
Advances to a local authority	10	N/A	Low risk	12-month	2,042,459
Bank balances	14	P-1	N/A	12-month	1,183,010

Liquidity risk

As at December 31, 2018, the Group's current liabilities exceeded its current assets by \$2,003,536 and had structured deposits and bank balances of \$584,761 and \$1,188,733 respectively against loan from related parties of \$2,059,435 due within one year.

In the management of liquidity risk, the Group monitors and maintains a level of cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Directors' assessments and plans for managing the liquidity risk are set out in note 2.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

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29. FINANCIAL INSTRUMENTS - continued

29b. Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity and interest risk table

	Effective interest rate %	Repayable on demand or less than 3 months \$	3 months to 1 year \$	1 year to 5 years \$	Total undiscounted cash flows \$	Carrying amount at 12.31.2018 \$
2018						
Non-derivative financial liabilities						
- Other payables	-	1,720,947	-	-	1,720,947	1,720,947
- Amounts due to related parties	-	110,480	-	-	110,480	110,480
- Loan from related parties	5.125	-	2,164,981	-	2,164,981	2,059,435
		<u>1,831,427</u>	<u>2,164,981</u>	<u>-</u>	<u>3,996,408</u>	<u>3,890,862</u>

	Effective interest rate %	Repayable on demand or less than 3 months \$	3 months to 1 year \$	1 year to 5 years \$	Total undiscounted cash flows \$	Carrying amount at 12.31.2017 \$
2017						
Non-derivative financial liabilities						
- Other payables	-	1,954,374	-	-	1,954,374	1,954,374
- Amounts due to related parties	-	48,216	-	-	48,216	48,216
- Loan from related parties	5.000	-	2,025,124	-	2,025,124	1,928,689
		<u>2,002,590</u>	<u>2,025,124</u>	<u>-</u>	<u>4,027,714</u>	<u>3,931,279</u>

29c. Fair value

Fair value of the Group's financial assets are not measured at fair value on a recurring basis

The following table gives information about how the fair values of structured deposits were determined (in particular, the valuation techniques and input used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair values	Fair value hierarchy	Valuation technique(s) and key input(s)	Sensitivity
Structured deposits	Asset - \$584,761 as at December 31, 2018 (\$2,403,430 as at December 31, 2017)	Level 3	Discounted cash flows Key unobservable inputs are: Expected yields of money market instruments and debt investments invested by banks and a discount rate that reflect the credit risk of the banks (note)	The higher the expected yield, the higher the fair value. The higher the discount rate, the lower the fair value.

Note: The directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposit are insignificant as the deposits have short maturities, and therefore no sensitivity analysis is presented.

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29. FINANCIAL INSTRUMENTS - continued

29c. Fair value - continued

Reconciliation of Level 3 fair value measurements

	Structured deposits \$
Opening balance as at January 1, 2017	-
Placement of structured deposits	2,403,430
Closing balance as at December 31, 2017 and at January 1, 2018	2,403,430
Placement of structured deposits	4,708,028
Interest income from structured deposits	69,124
Interest received from structured deposits	(69,124)
Redemption of structured deposits	(6,571,622)
Exchange difference	44,925
Closing balance as at December 31, 2018	<u>584,761</u>

For the year ended December 31, 2018, interest income from structured deposit of \$69,124 (2017: \$nil) is recognised in profit or loss as disclosed in note 19. No other gain or loss is recognised for the years ended December 31, 2018 and December 31, 2017.

Management considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values using discounted cash flow valuation technique.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from a shareholder \$	Amount due to a shareholder \$	Amounts due to related parties \$	Loan from related parties \$	Total \$
At January 1, 2017	2,075,712	201,277	-	-	2,276,989
Financing cash flows	-	(243,106)	-	-	(243,106)
Transfer (out) in (note 16)	(2,075,712)	(16,610)	16,610	2,075,712	-
Finance cost	-	66,440	33,164	-	99,604
Foreign exchange translation	-	(8,001)	(1,558)	(147,023)	(156,582)
At December 31, 2017	-	-	48,216	1,928,689	1,976,905
Financing cash flows	-	-	(49,572)	-	(49,572)
Finance cost	-	-	99,764	-	99,764
Operating activities	-	-	6,611	-	6,611
Foreign exchange translation	-	-	5,461	130,746	136,207
At December 31, 2018	<u>-</u>	<u>-</u>	<u>110,480</u>	<u>2,059,435</u>	<u>2,169,915</u>

31. SUBSEQUENT EVENT

On December 21, 2018, the Company announced that it proposes (i) to effect a cash distribution of \$0.075 per common share to shareholders by way of a return of capital (the "Distribution") 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, TWEL ("TWEL Shares") to certain shareholders of the Company (the "Transaction"). The Distribution, Stated Capital Reduction and the Transaction were approved by the shareholders in the Company's special meeting held in Toronto on January 24, 2019.

Subsequently on March 29, 2019, the Company announced that completion date for the sales of shares of TWEL has been extended from March 30, 2019 to June 30, 2019. All other terms and conditions of the share purchase agreements remain in force without amendment.
