

ALPHA PEAK LEISURE INC.

Management's Discussion and Analysis

Year Ended December 31, 2019

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

The following management's discussion and analysis of financial condition and results of operations (the "MD&A") of Alpha Peak Leisure Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") is prepared for the years ended December 31, 2019 and 2018. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes thereto for the years ended December 31, 2019 and 2018 of the Group. These financial statements were prepared in accordance with International Financial Reporting Standards. The results of operations, business prospects and financial condition of the Group will be affected by certain risk factors described elsewhere in this document.

All dollar figures stated in this MD&A are expressed in Canadian dollars, unless otherwise specified. Information contained herein includes any significant developments to May 14, 2020.

FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks that could cause the actual results to differ materially from those in forward looking statements. These factors include market prices, continued availability of capital and financing and general economic or business conditions.

OVERVIEW

The Company was incorporated on June 24, 2011 under the British Columbia Business Corporation Act and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). On June 23, 2015, the Company completed the qualifying transaction ("Qualifying Transaction") pursuant to the policies of the TSX-V through a private placement financing and an amalgamation with 1016772 B.C. Ltd ("6772BC"), a private limited company incorporated under the British Columbia Business Corporation Act. In connection with the closing of the Qualifying Transaction, 6772BC amalgamated with the Company to continue as an amalgamated company which continues in the name of the Company. Particulars of the Qualifying Transaction are set out in note 1 to the audited consolidated financial statements.

On December 21, 2018, the Company announced that a proposal (i) to effect a cash distribution of \$0.075 per common share (the "Distribution") by way of a return of capital and to correspondingly reduce the stated capital of the Common Shares (the "Stated Capital Reduction"), and (ii) to sell (the "TWEL Sale") all of the shares (the "TWEL Shares") of its wholly-owned subsidiary, Total Wonder Enterprises Limited ("TWEL") to certain shareholders of the Company (the "Purchasers"). Alpha Peak shareholders (the "Disinterested Shareholders"), other than the Purchasers, will receive the Distribution in the form of cash. Purchasers will apply their proceeds from the Distribution to purchase TWEL Shares pursuant to the TWEL Sale by means of a set-off in accordance with each of their share purchase agreements with the Company. No cash payment will be made to the Purchasers on account of the Distribution. Pursuant to the TWEL Sale, the Company proposes to sell all of the TWEL Shares to the following Purchasers: CN Lifestyle Limited, Peter Kai-Sing So, Yuxiu Zhao, Belva Global Company Limited and Merit Sign Holding Limited. TWEL will also pay the Company \$1,473,783 upon redemption of 10,843 TWEL Shares, which amount is also equal to the Distribution amount payable to Disinterested Shareholders.

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

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

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

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

Neither the Distribution nor the TWEL Sale affects any shareholder's ownership of the Common Shares. After the completion of the Distribution and TWEL Sale, the Company has become a "shell" company with no material assets other than some cash or liabilities and no active business. The Common Shares have been transferred to the NEX board of the TSX-V.

RESULTS OF OPERATIONS

Three months ended December 31, 2019

During the three months ended December 31, 2019 the Company had a net loss from continuing operations of \$72,692 as compared to net loss from continuing operations of \$51,096 for the corresponding three months ended December 31, 2018. The net loss from discontinued operations for the three months ended December 31, 2019 was \$Nil while the net loss from discontinued operations was \$1,654,563 for the corresponding three months ended December 31, 2018. Since the TWEL Sale transaction in Q2 2019, the Company no longer generates revenues and incurred mainly administrative expenses.

Year ended December 31, 2019

During the year ended December 31, 2019, the Company had a comprehensive income of \$3,407,920 as compared to a comprehensive loss of \$3,262,163 for the corresponding year ended December 31, 2018. Net loss from continuing operations was \$272,002 in 2019 as compared to net loss of \$536,599 in 2018. The gain from discontinued operations was \$9,835,622 in 2019 as compared to the \$2,943,187 loss in 2018. This mainly arose from the TWEL Sale transactions.

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Selected Annual Information

	2019	2018	2017
	\$	\$	\$
Total Revenue (discontinued operations)	215,047	504,304	1,391,549
Net income (loss) from continuing operations	(272,002)	(536,599)	(793,416)
Net income (loss) from discontinued operations	9,835,622	(2,943,187)	(29,439,464)
Net income (loss) for the year	9,563,620	(3,479,786)	(30,232,880)
Basic and diluted earnings/loss per share			
Continuing operations	(0.00)	(0.01)	(0.01)
Discontinued operations	0.14	(0.04)	(0.44)
All operations	0.13	(0.05)	(0.45)
Total assets	115,522	6,001,732	9,294,616
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

Summary of Quarterly Results

FOR THE THREE MONTHS ENDED

	December 31,	September 30,	June 30,	March 31,
	2019	2019	2019	2019
	\$	\$	\$	\$
Revenue (discontinued operations)	-	78,459	80,125	56,463
Net loss before discontinued operations	(72,692)	(129,068)	(25,683)	(44,559)
Net income (loss) from all operations	(72,692)	10,689,298	(642,653)	(410,334)
Basic and diluted earnings/loss per share				
Continuing operations	0.00	0.00	0.00	0.00
Discontinued operations	0.00	0.15	(0.01)	(0.01)
All operations	0.00	0.15	(0.01)	(0.01)

FOR THE THREE MONTHS ENDED

	December 31,	September 30,	June 30,	March 31,
	2018	2018	2018	2018
	\$	\$	\$	\$
Revenue (discontinued operations)	128,941	72,944	138,935	163,484
Net loss before discontinued operations	(51,096)	(139,235)	(140,358)	(205,910)
Net income (loss) from all operations	(1,705,659)	(707,245)	(595,950)	(470,932)
Basic and diluted earnings/loss per share				
Continuing operations	0.00	0.00	0.00	0.00
Discontinued operations	(0.02)	(0.01)	(0.01)	0.00
All operations	(0.02)	(0.01)	(0.01)	(0.01)

LIQUIDITY

The Company's working capital from continuing operations as at December 31, 2019 was \$44,641 as compared to a working capital of \$316,643 as at December 31, 2018, a decrease of \$272,002. The decrease in working capital was due to decrease in cash and cash equivalents. After the completion of TWEL Sale, the Company became a "shell" company and was not expected to maintain a high working capital.

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CAPITAL RESOURCES

After the completion of TWEL Sale, the company has become a shell company with no material assets other than cash or liabilities. The company stops any investment in capital expenditure.

OFF-BALANCE SHEET ARRANGEMENTS

During the reporting period there were no off – balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company'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 Company during the years ended December 31, 2019 and 2018 was as follows:

	For the year ended December 31,	
	2019	2018
	\$	\$
Directors fees	30,017	405,994

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting estimates and judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to determination of functional currency of the Company and its wholly-owned subsidiaries before the disposal (Note 5 to the consolidated financial statements) and the going concern assumption (Note 1 to the consolidated financial statements).

Cash and cash equivalents

Cash includes amounts held in banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Foreign currencies

These consolidated financial statements are presented in Canadian dollars, 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 recognized 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 recognized 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. Canadian dollar) using exchange rates

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prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On 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.

Share-based payment arrangements

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in net income (loss) for the period. Financial assets and financial liabilities classified at amortized cost are subsequently measured at amortized cost using the effective interest method. Financial assets classified at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income (loss). When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

The Company classifies its financial instruments as follows: cash, receivables and accounts payable and accrued liabilities as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2019 equal \$70,881 (2018 - \$35,155). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of December 31, 2019.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

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- i)* Currency risk – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not hold substantial funds in a foreign currency and is not subject to significant currency risk.
- ii)* Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.
- iii)* Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

OUTSTANDING SHARE DATA

As at May 14, 2020

Common Shares issued 72,077,073

Share options 320,000 (Each share option entitles its holder to purchase one common share)

SUBSEQUENT EVENTS

No subsequent events.

OTHER

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