

ALPHA PEAK LEISURE INC.

Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian dollars)

ALPHA PEAK LEISURE INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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Independent Auditor's Report

To the Shareholders of Alpha Peak Leisure Inc.

Opinion

We have audited the consolidated financial statements of Alpha Peak Leisure Inc. ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Group 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of Alpha Peak Leisure Inc. for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2019.

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 the other information 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.

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 International Financial Reporting Standards, 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.
- 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 Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada
May 11, 2020**

ALPHA PEAK LEISURE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets			
Cash and cash equivalents		\$ 106,156	\$ 345,105
Trade and other receivables		9,366	6,693
Total current assets		<u>115,522</u>	<u>351,798</u>
Assets of disposal group classified as held for sale	5	-	5,649,934
Total assets		<u>\$ 115,522</u>	<u>\$ 6,001,732</u>
LIABILITIES AND EQUITY			
Current liabilities			
Other payables and accruals		\$ 70,881	\$ 35,155
Total current liabilities		70,881	35,155
Liabilities of disposal group classified as held for sale	5	-	3,923,908
Total liabilities		<u>70,881</u>	<u>3,959,063</u>
Equity			
Share capital	6	63,992,017	69,397,965
Reserves		544,013	9,910,588
Deficit		(64,491,389)	(77,265,884)
Total equity		<u>44,641</u>	<u>2,042,669</u>
Total liabilities and equity		<u>\$ 115,522</u>	<u>\$ 6,001,732</u>

Going concern (Note 1)

Approved on May 11, 2020 on behalf of the Board:

"Yuxiu Zhao"

Yuxiu Zhao, Director

"Baihan Zong"

Baihan Zong, Director

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

ALPHA PEAK LEISURE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2019</u>	<u>2018</u>
Administrative expenses		\$ (275,359)	\$ (543,007)
Interest income		<u>3,357</u>	<u>6,408</u>
Net income (loss) from continuing operations		<u>(272,002)</u>	<u>(536,599)</u>
Gain (loss) from discontinued operations	5	<u>9,835,622</u>	<u>(2,943,187)</u>
Net income (loss) for the year		<u>9,563,620</u>	<u>(3,479,786)</u>
Other comprehensive (income)/loss			
Exchange differences on translating foreign operations		-	217,623
Reclassifying cumulative foreign exchange reserve upon disposal of foreign subsidiaries	5	<u>(6,155,700)</u>	<u>-</u>
Total comprehensive income (loss) for the year		<u>\$ 3,407,920</u>	<u>\$ (3,262,163)</u>
Weighted average number of common shares			
Outstanding – Basic		<u>72,077,073</u>	<u>72,077,073</u>
Weighted average number of common shares			
Outstanding – Diluted		72,397,073	72,077,073
Basic Earning (losses) per Common Share			
– from continuing operations		\$ (0.00)	\$ (0.01)
– from discontinued operations		<u>0.14</u>	<u>(0.04)</u>
– from all operations		<u>\$ 0.13</u>	<u>\$ (0.05)</u>
Diluted Earning (losses) per Common Share			
– from continuing operations		\$ (0.00)	\$ (0.01)
– from discontinued operations		<u>0.14</u>	<u>(0.04)</u>
– from all operations		<u>\$ 0.13</u>	<u>\$ (0.05)</u>

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

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	Share capital \$	Capital reserve \$	Share option reserve \$	Exchange reserve \$	Accumulated losses \$	Total \$
At January 1, 2018	69,397,965	3,210,875	603,514	5,938,077	(73,845,599)	5,304,832
Net loss for the year	-	-	-	-	(3,479,786)	(3,479,786)
Other comprehensive income for the year	-	-	-	217,623	-	217,623
Forfeiture of share options	-	-	(59,501)	-	59,501	-
At December 31, 2018	69,397,965	3,210,875	544,013	6,155,700	(77,265,884)	2,042,669
Capital reduction from distribution	(5,405,948)	-	-	-	-	(5,405,948)
Reserves reclassified upon disposal of subsidiaries	-	(3,210,875)	-	(6,155,700)	3,210,875	(6,155,700)
Net income for the year	-	-	-	-	9,563,620	9,563,620
At December 31, 2019	63,992,017	-	544,013	-	(64,491,389)	44,641

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, 2019 AND 2018
(Expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2019</u> \$	<u>2018</u> \$
Operating Activities			
Net income		9,563,620	(536,599)
Charges to net loss not affecting cash:			
Bank interest income		(3,357)	(6,408)
Gain from discontinued operations		(9,835,622)	-
Changes in non-cash working capital balances related to operations:			
Accounts receivable		(2,673)	(501)
Accounts payable and accrued liabilities		35,726	19,905
Cash provided by (used in) operating activities – continuing operations		(242,306)	(523,603)
Cash provided by (used in) operating activities – discontinuing operations		-	(1,607,159)
Cash provided by (used in) operating activities from all operations		<u>(242,306)</u>	<u>(2,130,762)</u>
Investing Activities			
Interest received		<u>3,357</u>	<u>6,408</u>
Cash provided by (used in) investing activities – continuing operations		3,357	6,408
Cash provided by (used in) investing activities – discontinuing operations		<u>1,473,783</u>	<u>1,947,100</u>
Cash provided by (used in) investing activities from all operations		<u>1,477,140</u>	<u>1,953,508</u>
Financing Activities			
Cash distribution to shareholders		<u>(1,473,783)</u>	-
Cash provided by (used in) financing activities – continuing operations		(1,473,783)	-
Cash provided by (used in) financing activities – discontinuing operations		-	<u>(49,572)</u>
Cash provided by (used in) financing activities from all operations		<u>(1,473,783)</u>	<u>(49,572)</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH			
		-	<u>30,810</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(238,949)	(196,016)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		<u>345,105</u>	<u>541,121</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR		<u>106,156</u>	<u>345,105</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Proceeds from sale of subsidiary in exchange for return of capital		3,932,165	-

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

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"), was developing and operating Swallow Gully Scenic Area, a large scale tourist attraction site in Sichuan Province, the People's Republic of China (the "PRC") before the subsidiaries were sold in July 2019.

During the current year, the Company sold all of the shares of its wholly-owned subsidiary Total Wonder Enterprises Limited ("TWEL") to certain shareholders of the Company (the "TWEL Sale"), and completed a distribution of \$0.075 per common share (the "Distribution") by way of return of capital.

After the completion of the TWEL Sale and the Distribution, the Company became a shell company with no active business. The Company has been transferred to the NEX board of the TSX-V.

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

Subsequent to year-end, there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and; specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market. These factors, among others, could have a significant impact on the Company's operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

2. BASIC OF PREPARATION

Statement of compliance

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and certain financial instruments that were 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.

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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 IFRS 16 *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.

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.

These consolidated financial statements include the financial statements of the Company and its subsidiaries listed in the following table:

Name of subsidiary	Country of Incorporation	2019 Proportion of Ownership Interest	2018 Proportion of Ownership Interest	Principal Activity
Merit Sign Investment Limited	Hong Kong	100% until July 2019; 0% after July 2019	100%	Investment holding
Total Wonder Enterprise Limited ("TWEL")	British Virgin Islands	100% until July 2019; 0% after July 2019	100%	Investment holding
Gonga Terraferma Limited	The PRC	100% until July 2019; 0% after July 2019	100%	Development and operation of Swallow Gully

All inter-company accounts and transactions have been eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES

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) and the going concern assumption (Note 1).

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 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. Canadian dollar) using exchange rates 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

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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.

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.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted the following accounting standard effective January 1, 2019:

IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. Adoption of this standard does not have a material impact on the Company's financial statement.

5. DISCONTINUED OPERATIONS

In July 2019, the Company sold all of the shares ("TWEL Shares") of its wholly-owned subsidiary, Total Wonder Enterprises Limited ("TWEL"), to certain shareholders of the Company (the "Purchasers") for total proceeds of \$3,932,165 (the "Transaction"), after TWEL redeemed a portion of the outstanding TWEL shares from the Company for \$1,473,783 in cash. In

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connection with the Transaction, the Company distributed to all of its shareholders a distribution of \$0.075 per common share by way of return of capital (the “Distribution”). The Purchasers, as shareholders of the Company, set off all of their Distribution proceeds of \$3,932,165 towards the purchase of the TWEL Shares. The remaining shareholders of the Company received their distribution in cash of \$1,473,783.

Following completion of the Distribution, the Company became a shell company with no active business.

The net loss from discontinued operations for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
	\$	\$
Revenue	215,047	504,304
Cost of sales/services	(218,722)	(544,775)
Expenses	<u>(844,547)</u>	<u>(2,902,716)</u>
Operating loss from discontinued operations	(848,222)	(2,943,187)
Gain on sale of discontinued operations	<u>10,683,844</u>	<u>-</u>
Net gain from discontinued operations	<u>9,835,622</u>	<u>(2,943,187)</u>

The following table provides additional information with respect to the gain on sale of discontinued operations:

Consideration on disposal of discontinued operations	\$ 3,932,165
Less: Net liabilities of discontinued operations	595,979
Add: Reclassifying cumulative foreign exchange reserve upon disposal of foreign subsidiaries	<u>6,155,700</u>
	<u>\$ 10,683,844</u>

6. SHARE CAPITAL

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued common shares

There were no shares issued during 2019 and 2018.

(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

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entitles its holder to purchase one common share at a price of \$0.10 per common share till January 31, 2023.

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

As at December 31, 2019, 320,000 share options of the Company were outstanding and were exercisable with a weighted average exercise price of \$0.10 and a weighted average life of 3.09.

No share options were granted during the year ended December 31, 2019.

7. INCOME TAX

The income tax provision differs from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Net loss from continuing operations	(272,002)	(536,599)
Statutory tax rate	27%	27%
Expected income tax recovery	(73,440)	(144,882)
Non-deductible items	729,803	-
Change in unrecognized deferred tax assets	<u>(656,363)</u>	<u>144,882</u>
Actual income tax recovery	<u>-</u>	<u>-</u>

Deferred income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balances on the consolidated statements of financial position and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes to the extent that it is probable that future taxable profit will allow the deferred tax assets to be recovered.

The significant components of the Company's unrecorded deferred tax assets are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Non-capital loss carry-forwards	788,000	712,000
Capital loss	5,787,000	-
Investment	-	6,517,000
Share issuance cost	<u>4,000</u>	<u>6,000</u>
Total deferred tax assets	6,579,000	7,235,000
Change in unrecognized deferred tax assets	<u>(6,579,000)</u>	<u>(7,235,000)</u>
Net deferred income tax assets	<u>-</u>	<u>-</u>

ALPHA PEAK LEISURE INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
 (Expressed in Canadian Dollars)

At December 31, 2019, the Company has non-capital losses of approximately \$2,919,000 (2018: \$2,639,000) available to reduce taxable income in Canada and expire in stages through 2039 as follows:

Year of expiry	
2033	\$ 43,000
2034	69,000
2035	389,000
2036	729,000
2037	856,000
2038	553,000
2039	280,000
	<u>\$ 2,919,000</u>

At December 31, 2019, the Company has capital losses of approximately \$42,870,000 (2018: \$Nil) in Canada that may be carried forwarded indefinitely to reduce future years' capital gains.

8. 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:

	<u>2019</u>	<u>2018</u>
	\$	\$
Directors fees	<u>30,017</u>	<u>405,994</u>

9. CAPITAL RISK MANAGEMENT

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended December 31, 2019.

10. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. 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.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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.

- 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.