

ALPHA PEAK LEISURE INC.

Report and Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

ALPHA PEAK LEISURE INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Alpha Peak Leisure Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of profit or loss and other comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
April 30, 2018

ALPHA PEAK LEISURE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2017 AND 2016
(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2017</u> \$	<u>2016</u> \$
Non-current assets			
Property, plant and equipment	4	1,820,564	19,582,723
Intangible asset arising from a service concession arrangement	5	-	8,063,027
Prepaid lease payment	6	296,600	307,865
Intangible assets	7	8,003	12,474
Advances to a local authority	8	2,014,733	1,904,130
		<u>4,139,900</u>	<u>29,870,219</u>
Current assets			
Inventories	9	26,334	30,085
Trade and other receivables	10	128,776	125,988
Structured deposits	11	2,403,430	-
Bank balances and cash	12	2,596,176	7,740,423
		<u>5,154,716</u>	<u>7,896,496</u>
Current liabilities			
Other payables	13	2,012,879	1,690,527
Amount due to a shareholder	14	-	201,277
Amounts due to related parties	14	48,216	-
Loan from related parties	14	1,928,689	-
		<u>3,989,784</u>	<u>1,891,804</u>
Net current assets		<u>1,164,932</u>	<u>6,004,692</u>
Total assets less current liabilities		<u>5,304,832</u>	<u>35,874,911</u>
Non-current liability			
Loan from a shareholder	14	-	2,075,712
		<u>-</u>	<u>2,075,712</u>
Net assets		<u>5,304,832</u>	<u>33,799,199</u>

ALPHA PEAK LEISURE INC.

	<u>NOTE</u>	<u>2017</u> \$	<u>2016</u> \$
Equity			
Share capital	16	69,397,965	67,658,582
Reserves		<u>(64,093,133)</u>	<u>(33,859,383)</u>
		<u>5,304,832</u>	<u>33,799,199</u>

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

The consolidated financial statements on pages 3 to 48 were approved and authorised for issue by the Board of Directors on April 30, 2018 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 LOSS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2017</u> \$	<u>2016</u> \$
Revenue	17	1,391,549	1,647,025
Cost of sales/services		<u>(2,231,454)</u>	<u>(2,721,094)</u>
Gross loss		(839,905)	(1,074,069)
Other income	18	131,852	157,937
Other gain	19	142,795	605,655
Finance costs		(99,604)	(102,147)
Marketing expenses		(880,177)	(1,457,367)
Impairment loss recognised in respect of intangible asset arising from a service concession arrangement	5	(7,770,223)	-
Write-off in respect of property, plant and equipment	4	(7,471,811)	-
Impairment loss recognised in respect of property, plant and equipment	4	(10,163,037)	-
Administrative expenses		<u>(3,282,770)</u>	<u>(2,439,804)</u>
Loss before tax		(30,232,880)	(4,309,795)
Income tax credit	20	-	46,513
Loss for the year		<u>(30,232,880)</u>	<u>(4,263,282)</u>
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operation		<u>(870)</u>	<u>(4,959,953)</u>
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment	4	-	1,472,915
Recognition of deferred tax liability on revaluation of property, plant and equipment	15	-	(368,229)
Impairment loss recognised in respect of property, plant and equipment	4	-	(4,607,728)
		<u>-</u>	<u>(3,503,042)</u>
Other comprehensive loss for the year		<u>(870)</u>	<u>(8,462,995)</u>
Total comprehensive loss for the year		<u>(30,233,750)</u>	<u>(12,726,277)</u>
Losses per share:	21		
Basic (Canadian dollar)		(0.45)	(0.07)
Diluted (Canadian dollar)		<u>(0.45)</u>	<u>(0.07)</u>
Weighted average number of common shares			
Outstanding:	21		
Basic		66,655,068	64,346,480
Diluted		<u>66,655,068</u>	<u>64,346,480</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, 2017 AND 2016*(expressed in Canadian Dollars)*

	Share capital \$	Capital reserve \$ (Note i)	Share option reserve \$	Revaluation reserve \$	Exchange reserve \$ (Note ii)	Accumulated losses \$	Total \$
At January 1, 2016	67,658,582	3,210,875	1,734,040	3,503,042	10,898,900	(40,479,963)	46,525,476
Loss for the year	-	-	-	-	-	(4,263,282)	(4,263,282)
Exchange difference arising on translation of foreign operation	-	-	-	-	(4,959,953)	-	(4,959,953)
Gain on revaluation of property, plant and equipment	-	-	-	1,472,915	-	-	1,472,915
Recognition of deferred tax liability on revaluation of property, plant and equipment	-	-	-	(368,229)	-	-	(368,229)
Impairment loss recognised in respect of property, plant and equipment	-	-	-	(4,607,728)	-	-	(4,607,728)
Other comprehensive loss for the year	-	-	-	(3,503,042)	(4,959,953)	-	(8,462,995)
Total comprehensive loss for the year	-	-	-	(3,503,042)	(4,959,953)	(4,263,282)	(12,726,277)
Forfeiture of share options	-	-	(586,513)	-	-	586,513	-
At December 31, 2016	67,658,582	3,210,875	1,147,527	-	5,938,947	(44,156,732)	33,799,199
Loss for the year	-	-	-	-	-	(30,232,880)	(30,232,880)
Other comprehensive loss for the year	-	-	-	-	(870)	-	(870)
Total comprehensive loss for the year	-	-	-	-	(870)	(30,232,880)	(30,233,750)
Forfeiture of share options (Note 16)	-	-	(544,013)	-	-	544,013	-
Common shares issued (Note 16)	1,739,383	-	-	-	-	-	1,739,383
At December 31, 2017	69,397,965	3,210,875	603,514	-	5,938,077	(73,845,599)	5,304,832

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, 2017 AND 2016
(expressed in Canadian Dollars)

	<u>NOTES</u>	<u>2017</u> \$	<u>2016</u> \$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the year		(30,232,880)	(4,263,282)
Adjustments for:			
Imputed interest income on advances to a local authority		(118,424)	(117,890)
Income tax credit		-	(46,513)
Bank interest income		(13,428)	(30,380)
Provision of construction services under a service concession arrangement		-	(730,811)
Unrealised foreign exchange gain		(158,135)	(437,432)
Amortisation of intangible assets		4,411	9,089
Release of prepaid lease payment		9,975	10,310
Loss on disposal of property, plant and equipment		15,334	12,037
Interest expense		99,604	102,147
Amortisation of intangible asset arising from a service concession arrangement		258,657	266,196
Depreciation of property, plant and equipment		768,193	670,225
Impairment loss recognised in respect of intangible asset arising from a service concession arrangement	5	7,770,223	-
Write-off of property, plant and equipment	4	7,471,811	-
Impairment loss recognised in respect of property, plant and equipment	4	10,163,037	-
Decrease in inventories		2,834	124,801
(Increase) decrease in trade and other receivables		(3,316)	273,704
Increase in other payables		508,815	526,142
Decrease in advance to a shareholder		-	901
Decrease in amount due to a related party		-	(10,379)
		<u>(3,453,289)</u>	<u>(3,641,135)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Placement of structured deposits		(2,403,430)	-
Purchases of property, plant and equipment		(768,193)	(808,116)
Interest received		13,428	30,380
		<u>(3,158,195)</u>	<u>(777,736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of common shares		1,739,383	-
Decrease in amount due to a shareholder		(243,106)	-
		<u>1,496,277</u>	<u>-</u>
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH			
		<u>(29,040)</u>	<u>(392,496)</u>
DECREASE IN CASH		(5,144,247)	(4,811,367)
CASH AT BEGINNING OF THE YEAR		<u>7,740,423</u>	<u>12,551,790</u>
CASH AT END OF THE YEAR		<u>2,596,176</u>	<u>7,740,423</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, 2017 AND 2016 (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 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

These consolidated financial statements were authorised for issue by the Board of Directors of the Company on April 30, 2018.

Basis of preparation

At December 31, 2017, the Group has net current assets of \$1,164,932, 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 basis. The directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, the financial statements have been prepared on a going concern basis.

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, respectively, 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 or services.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of preparation - continued

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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - continued

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 loss from the date the Company gains control until the date when the Company 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 recognition

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.

The Group provides construction services in exchange for concession intangible assets. The revenue from construction services is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs.

Revenue from admission ticket sales and attraction ticket sales is recognised when the tickets are sold and delivered. 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Construction contracts

Where the outcome of a construction contract including construction of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the statement of profit or loss in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised in the statement of profit or loss as an expense immediately.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 loss 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

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 recognised 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 retained profits.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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 individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in statement of profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is 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 gain' in the financial statements. Fair value is determined in the manner described in Note 28c.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 losses (see accounting policy on impairment on financial assets below).

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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.

Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity - continued

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.

Financial liabilities at amortised cost

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

Derecognition

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and revised International Financial Reporting Standards ("IFRSs")

Application of amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs for the first time in the current year.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle

Except as disclosed below, the application of the 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.

Amendments to IAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 29. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 29, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and revised International Financial Reporting Standards ("IFRSs") - continued

New and revised to IFRSs issued but not yet effective

The Group has not early applied the following new and revised to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

Except for the new IFRSs mentioned below, management anticipates that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and revised International Financial Reporting Standards ("IFRSs") - continued

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets. Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through profit or loss. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9.

For the structured deposits as disclosed in Note 11, management anticipates that the Group would revoke its previous designation of financial assets as measured at fair value through profit or loss at initial application date. The contractual cash flows of these deposits do not represent solely payments of principal and interest on the principal outstanding, and accordingly, it is required to be classified at financial assets at fair value through profit or loss.

Except for financial assets which are subject to expected credit loss model under IFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases currently measured under IAS 39.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and revised International Financial Reporting Standards ("IFRSs") - continued

IFRS 9 *Financial Instruments* - continued

In general, management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the management, if the expected credit loss model were to be applied by the Group, an immaterial amount of impairment loss would be recognised by the Group as at 1 January 2018, mainly attributable to expected credit loss position on trade receivables. Such impairment recognised under expected credit loss model would increase the opening accumulated losses at January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Management anticipates that the application of IFRS 15 in the future may result in more disclosures, however, management does not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the respective reporting periods. The directors of the Company intend to apply the limited retrospective method with cumulative effect on initial application recognised in opening balance of equity at January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Application of new and revised International Financial Reporting Standards ("IFRSs") - continued

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2017, the Group has non-cancellable operating lease commitments of \$184,313 as disclosed in Note 23. A preliminary assessment indicates that the application of new requirements may result in changes in measurement, presentation and disclosure. However, management is still assessing the impact and performing a detailed review of adoption of this new accounting standard on its financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is 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 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.

3. 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 units. 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.

As at December 31, 2017, the carrying value of the property, plant and equipment was \$1,820,564 (2016: \$19,582,723). Impairment losses of \$10,163,037 (2016: \$Nil) and write-off of \$7,471,811 (2016: \$Nil) is recognised in the statement of profit or loss in respect of property, plant and equipment for the year ended December 31, 2017.

Amortisation and impairment assessment of intangible asset arising from a service concession arrangement

Amortisation of intangible asset arising from concession arrangement is calculated using straight-line basis over the period which commence from the date when the part of the tourist attraction site is available for use. The estimation of the useful life impacts the level of annual amortisation expense recorded. At the end of the reporting period, management would estimate future cash flows generated by the concession intangible asset and determine whether there is any indication on impairment. If such indication exists, the recoverable amount of the concession intangible asset would be estimated and the carrying amount of concession intangible asset would be written down to the recoverable amount and the amount of the write-down would be charged against the profit and loss.

As at December 31, 2017, the carrying value of the intangible asset arising from concession arrangement was \$Nil (2016: \$8,063,027). Impairment losses of \$7,770,223 (2016: \$Nil) is recognised in the statement of profit or loss in respect of intangible asset arising from a service concession arrangement for the year ended December 31, 2017.

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

Key sources of estimation uncertainty - continued

Valuation of property, plant and equipment

As at December 31, 2016, attractions and improvement as well as buildings included in the property, plant and equipment (2017: certain buildings included in property, plant and equipment ("Relevant Buildings")) are revalued based on the valuation performed by independent professional valuers. The determination of the valuation involves certain assumptions of market conditions which are set out in Note 4. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions would result in changes in the valuation of the Group's property, plant and equipment and the corresponding adjustments to the amount of gain or loss arising on the revaluation of property, plant and equipment would be recognised in other comprehensive income. The carrying amount of property, plant and equipment carried at revalued amount as at December 31, 2016 was \$19,286,782.

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

Estimated impairment of advances to a local authority

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at December 31, 2017, the carrying amount of advances to a local authority is \$2,014,733 (2016: \$1,904,130) and no impairment on advances to a local authority has been made for both years.

ALPHA PEAK LEISURE INC.

4. PROPERTY, PLANT AND EQUIPMENT

	Attractions and <u>improvement</u> \$	<u>Buildings</u> \$	Motor <u>vehicles</u> \$	<u>Others</u> \$	<u>Total</u> \$
COST OR VALUATION					
At January 1, 2016	24,498,809	3,882,687	1,705,005	97,013	30,183,514
Additions	643,981	43,415	143,982	33,142	864,520
Disposal	-	-	(240,752)	-	(240,752)
Impairment loss recognised in other comprehensive income	(2,643,261)	(1,037,468)	-	-	(3,680,729)
Foreign exchange adjustment	(2,906,352)	(617,088)	(161,093)	(7,381)	(3,691,914)
At December 31, 2016 and 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	(8,424,191)	(338,843)	-	-	(8,763,034)
At December 31, 2017	11,772,188	1,918,843	1,316,183	109,489	15,116,703
Comprising:					
At December 31, 2017					
At cost	-	-	1,316,183	109,489	1,425,672
At valuation	11,772,188	1,918,843	-	-	13,691,031
	11,772,188	1,918,843	1,316,183	109,489	15,116,703
At December 31, 2016					
At cost	-	-	1,447,142	122,774	1,569,916
At valuation	19,593,177	2,271,546	-	-	21,864,723
	19,593,177	2,271,546	1,447,142	122,774	23,434,639
DEPRECIATION					
At January 1, 2016	896,490	164,119	1,498,879	19,236	2,578,724
Provided for the year	476,981	66,648	83,463	43,133	670,225
Adjustment for revaluation	(1,271,415)	(201,500)	-	-	(1,472,915)
Eliminated on disposal	-	-	(228,715)	-	(228,715)
Impairment loss recognised in other comprehensive income	1,982,885	322,115	-	-	2,305,000
Foreign exchange adjustment	121,349	20,269	(139,904)	(2,117)	(403)
At December 31, 2016 and 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	32,850	(2,182)	(5,526)	(666)	24,476
At December 31, 2017	11,772,188	363,970	1,093,784	66,197	13,296,139
CARRYING AMOUNTS					
At December 31, 2017	-	1,554,873	222,399	43,292	1,820,564
At December 31, 2016	17,386,887	1,899,895	233,419	62,522	19,582,723

4. PROPERTY, PLANT AND EQUIPMENT - continued

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 ("Gongga"), a wholly owned subsidiary of the Company, 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% (2016: 18.06%). Cash flow beyond the five-year period was extrapolated using a growth rate of 3.0% (2016: 5.1%). 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 statement of profit or loss. In addition, a write-off of \$7,471,811 was recognised in the 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.

During the year ended December 31, 2016, an impairment loss of \$5,985,729 was recognised in other comprehensive income, of which (i) \$4,626,146 was allocated to attractions and improvement; and (ii) \$1,359,583 was allocated to buildings on a pro rata basis with reference to their respective carrying amounts before impairment, and reduced the corresponding revaluation surplus.

Revaluation of attractions and improvement and buildings of the Group as at December 31, 2016:

Attractions and improvement and buildings of the Group were revalued on December 31, 2016 at a total carrying amount of \$19,286,782. In estimating the fair values of the attractions and improvement and buildings, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages a third party qualified valuer to perform valuation. Management works closely with the third party qualified valuer to establish the appropriate valuation technique and inputs to the model. Management reports the findings and explains the cause of fluctuations in the fair values of the attractions and improvement and buildings, if any.

4. PROPERTY, PLANT AND EQUIPMENT - continued

Attractions and improvement and buildings of the Group were revalued by Vigers Appraisal & Consulting Limited ("Vigers") on December 31, 2016 on the depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. Vigers is not a related party of the Group.

Key unobservable inputs used in valuing the property, plant and equipment are:

- Determined the depreciated replacement cost by adjusting the change in the labour cost which ranged from 0.00% to 8.34% and construction material cost which ranged from -5.03% to 3.08% in Sichuan, from the periods which the actual costs were incurred to December 31, 2016;
- Professional fees to be 9.1% of the adjusted cost; and
- Sales price index of 1.038 is applied on the depreciated replacement cost to reflect current market conditions in the Chinese property market.

In estimating the fair values of the attractions and improvement and buildings, the highest and best use of these properties is their current use.

An increase in the depreciated replacement cost and professional fees and an increase in the sales price index used would result in an increase in the fair value measurement of the attractions and improvement and buildings, and vice versa.

The categorisation of fair value measurement of the above property, plant and equipment is Level 3 of the fair value hierarchy as at December 31, 2016.

There were no transfers into or out of Level 3 during both years.

If the attractions and improvement and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and subsequent accumulated impairment loss of \$19,286,782.

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 is performed for these assets. The carrying amount of the Relevant Buildings carried at revalued amount as at December 31, 2017 was \$1,554,873.

ALPHA PEAK LEISURE INC.

5. INTANGIBLE ASSET ARISING FROM A SERVICE CONCESSION ARRANGEMENT

	\$
COST	
At January 1, 2016	9,334,321
Foreign exchange adjustment	(917,808)
Additions	<u>730,811</u>
At December 31, 2016 and January 1, 2017	9,147,324
Foreign exchange adjustment	<u>(38,342)</u>
At December 31, 2017	<u>9,108,982</u>
AMORTISATION	
At January 1, 2016	913,460
Foreign exchange adjustment	(95,359)
Provided for the year	<u>266,196</u>
At December 31, 2016 and 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	<u>9,108,982</u>
CARRYING AMOUNT	
At December 31, 2017	<u>-</u>
At December 31, 2016	<u>8,063,027</u>

Gonga 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.

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. Revenue and costs relating to the construction phase of the contract are accounted for in accordance with IAS 11 *Construction Contracts* which the revenue on construction is recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

Revenue and costs relating to the operation phase of the contract are accounted for in accordance with IAS 18 *Revenue* which revenue is measured at the fair value of the consideration received or receivable.

ALPHA PEAK LEISURE INC.

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

During the year ended December 31, 2016, the Group recognised revenue from construction services in relation to the tourist attraction under BOT of \$730,811 (2017: \$Nil) by reference to the stage of completion of the construction work.

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 4, 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 is fully impaired during the year ended December 31, 2017.

6. PREPAID LEASE PAYMENT

	<u>2017</u>	<u>2016</u>
	\$	\$
The Group's prepaid lease payment comprises:		
Leasehold interest in land in the PRC	<u>306,575</u>	<u>317,882</u>
Analysed for reporting purpose as:		
- Current asset	9,975	10,017
- Non-current asset	<u>296,600</u>	<u>307,865</u>
	<u>306,575</u>	<u>317,882</u>

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

ALPHA PEAK LEISURE INC.

7. INTANGIBLE ASSETS

	Hot spring prospecting rights	Trademark	Patent	Others	Total
	\$	\$	\$	\$	\$
COST					
At January 1, 2016	70,203	11,749	705	25,015	107,672
Foreign exchange adjustment	(6,745)	(1,120)	(68)	(2,404)	(10,337)
Disposal	-	(318)	-	-	(318)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2016 and January 1, 2017	63,458	10,311	637	22,611	97,017
Foreign exchange adjustment	(267)	(44)	(2)	(95)	(408)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2017	<u>63,191</u>	<u>10,267</u>	<u>635</u>	<u>22,516</u>	<u>96,609</u>
AMORTISATION					
At January 1, 2016	60,039	9,308	441	14,315	84,103
Foreign exchange adjustment	(5,944)	(901)	(45)	(1,441)	(8,331)
Provided for the year	6,112	584	66	2,327	9,089
Eliminated on disposal	-	(318)	-	-	(318)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2016 and 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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At December 31, 2017	<u>61,369</u>	<u>9,325</u>	<u>523</u>	<u>17,389</u>	<u>88,606</u>
CARRYING AMOUNTS					
At December 31, 2017	<u>1,822</u>	<u>942</u>	<u>112</u>	<u>5,127</u>	<u>8,003</u>
At December 31, 2016	<u>3,251</u>	<u>1,638</u>	<u>175</u>	<u>7,410</u>	<u>12,474</u>

8. 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, 2017, imputed interest income of \$118,424 (2016: \$117,890) has been recognised and included in "Other income".

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

ALPHA PEAK LEISURE INC.

9. INVENTORIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Consumable goods	2,359	2,901
Souvenirs	<u>23,975</u>	<u>27,184</u>
	<u>26,334</u>	<u>30,085</u>

During the year ended December 31, 2017, the Group recognised \$125,495 (2016: \$197,044) of inventory as an expense within cost of sales in the consolidated statement of profit or loss and other comprehensive loss.

10. TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade receivables	6,812	9,878
Less: allowance for bad and doubtful debts	<u>-</u>	<u>-</u>
	6,812	9,878
Prepayment	77,566	77,608
Other receivables	<u>44,398</u>	<u>38,502</u>
	<u>128,776</u>	<u>125,988</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.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of \$6,812 (2016: \$9,878) 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.

Trade receivables which are past due but not impaired based on due date is aged within 91 to 180 days.

ALPHA PEAK LEISURE INC.

11. STRUCTURED DEPOSITS

The structured deposits as at December 31, 2017 represented deposits of RMB12,500,000 (equivalent to approximately \$2,403,430 (2016: \$Nil)) which were issued by bank in the PRC. The structured deposits carry interests at expected interest rate that range from 2.8% to 4.65% per annum, which are linked to the performance of the underlying money instruments and debt instruments, payable on maturity 14 days and 90 days from the date of purchase. The structured deposits are designated at the fair value through profit or loss on initial recognition as it contains non-closely related embedded derivative.

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

12. BANK BALANCES AND CASH

As at December 31, 2017, bank balances carry variable interest rate at prevailing market rate of ranging from 0.01% to 1.45% (2016: 0.33% to 1.05%) per annum.

13. OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Constructions expenses	575,025	439,093
Admission ticket sales proceeds entitled by a local authority	451,450	338,729
Legal and professional fee	101,743	172,976
Advertising expenses	524,215	454,373
Salary expenses	58,505	62,585
Sub-contracting expenses	18,666	9,654
Others	283,275	213,117
	<u>2,012,879</u>	<u>1,690,527</u>

ALPHA PEAK LEISURE INC.

14. AMOUNTS DUE TO/ LOAN FROM A SHAREHOLDER/RELATED PARTIES

As at December 31, 2016, amount due to a shareholder amounted to \$201,277 which represents interest payable arising from a loan from the shareholder. The amount is unsecured, non-interest bearing and repayable on demand.

As at December 31, 2016, loan from a shareholder amounted \$2,075,712 is unsecured, interest bearing at Hong Kong Prime Rate of 5% per annum with maturity on December 31, 2018.

On September 1, 2017, the Group entered into a loan assignment agreement with the 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\$12,100,000 (equivalent to approximately \$2,000,000), to the related parties with immediate effective.

As at December 31, 2017, loan from related parties amounted \$1,928,689 is 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, is unsecured, no interest bearing and repayable on demand.

15. DEFERRED TAX LIABILITY

At the end of the reporting period, deferred tax liability has been recognised and movement thereon during the year is as follows:

	Revaluation of property, plant and equipment <u> </u> \$
At January 1, 2016	1,535,001
Foreign exchange adjustment	(46,690)
Charge to equity for the year	368,229
Credit to profit or loss	(46,513)
Credit to equity upon impairment loss recognised in respect of property, plant and equipment	<u>(1,810,027)</u>
At December 31, 2016 and December 31, 2017	<u><u>-</u></u>

ALPHA PEAK LEISURE INC.

16. SHARE CAPITAL

(a) Authorised

Unlimited number of common shares without par value.

(b) Issued common shares

Movement of share capital of the Company

	<u>Number of common shares</u>
As of January 1, 2016 and December 31, 2016	64,346,480
Issue of shares (Note)	<u>7,730,593</u>
As of December 31, 2017	<u><u>72,077,073</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.

(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, 2017, 320,000 share options were forfeited following 90 days after the resignation of two share option holders (2016: 345,000).

As at December 31, 2017, 355,000 (2016: 675,000) 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 year ended December 31, 2017 and 2016.

ALPHA PEAK LEISURE INC.

17. REVENUE

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Provision of construction services under a service concession arrangement	-	730,811
Admission ticket sales	515,578	347,806
Attraction ticket sales	867,303	564,893
Others	8,668	3,515
	<u>1,391,549</u>	<u>1,647,025</u>

18. OTHER INCOME

	<u>2017</u>	<u>2016</u>
	\$	\$
Imputed interest income on advances to a local authority (Note 8)	118,424	117,890
Bank interest income	13,428	30,380
Sundry income	-	9,667
	<u>131,852</u>	<u>157,937</u>

19. OTHER GAIN

	<u>2017</u>	<u>2016</u>
	\$	\$
Exchange gains, net	<u>142,795</u>	<u>605,655</u>

ALPHA PEAK LEISURE INC.

20. INCOME TAX CREDIT

	<u>2017</u>	<u>2016</u>
	\$	\$
Current tax:		
PRC Enterprise Income Tax ("EIT")	-	-
Deferred tax (Note 15):		
Current year	-	(46,513)
	<u>-</u>	<u>(46,513)</u>
	<u>-</u>	<u>(46,513)</u>

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.

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Loss before tax	(30,232,880)	(4,309,795)
Tax at EIT rate of 25%	(7,558,220)	(1,077,449)
Tax effect of expenses not deductible for tax purpose	6,380,462	269,321
Tax effect of income not taxable for tax purpose	(32,963)	(235,760)
Tax effect of tax losses not recognised	1,127,417	949,634
Effect of different tax rate of a subsidiary operating in other jurisdiction	83,304	47,741
Income tax credit for the year	<u>-</u>	<u>(46,513)</u>

At the end of the reporting period, the Group has unused tax losses of approximately \$22,236,000 (2016: \$17,738,000) 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 \$17,430,000 will expire from 2018 to 2022 (2016: \$15,260,000 will expire from 2017 to 2021), approximately \$1,837,000 will expire from 2033 to 2037 (2016: \$1,063,000 will expire from 2033 to 2036) and approximately \$2,969,000 (2016: \$1,415,000) may be carried forward indefinitely, subject to final determination by tax authorities.

ALPHA PEAK LEISURE INC.

21. 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>2017</u>	<u>2016</u>
	\$	\$
Loss for the year for the purposes of calculation of basic and diluted losses per share	<u>30,232,880</u>	<u>4,263,282</u>
	<u>2017</u>	<u>2016</u>
Weighted average number of common shares for the purposes of calculation of basic and diluted losses per share	<u>66,655,068</u>	<u>64,346,480</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.

22. 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.

ALPHA PEAK LEISURE INC.

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	<u>2017</u>	<u>2016</u>
	\$	\$
Minimum lease payments made under operating leases during the year in respect of rented premises	<u>103,256</u>	<u>111,938</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>2017</u>	<u>2016</u>
	\$	\$
Within one year	82,551	73,088
In the second to fifth year inclusive	<u>101,762</u>	<u>26,643</u>
	<u>184,313</u>	<u>99,731</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.

24. 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 loss were \$1,631,012 (2016: \$1,436,865).

(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, 2017, total amounts of the state-managed retirement benefits charged to the consolidated statements of profit or loss and other comprehensive loss were \$194,862 (2016: \$170,376).

ALPHA PEAK LEISURE INC.

24. EMPLOYEE BENEFITS - continued

(b) Retirement benefit scheme - continued

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, 2017, 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 loss were \$8,043 (2016: \$7,407).

25. RELATED PARTY TRANSACTIONS

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Interest expense to a shareholder	66,440	102,147
Interest expenses to related parties	33,164	-
Management fee expense to a related party	31,347	40,867

(b) Balances and other arrangements with related parties are set out in the consolidated statement of financial position on pages 3 and 4 and in Note 14.

(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 year ended December 31, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Short-term employee benefits	1,063,302	843,495

During the year ended December 31, 2017, directors fees of \$707,819 (2016: \$596,667) were incurred for both executive and non-executive directors of the Group.

ALPHA PEAK LEISURE INC.

26. PARTICULARS OF SUBSIDIARIES

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

<u>Name of subsidiaries</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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Merit Sign Investment Limited	Hong Kong	HK\$344,679,523	HK\$344,679,523	100%	100%	Investment holding
Total Wonder Enterprise Limited	British Virgin Islands	HK\$78,143,190	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

27. 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 amount due to/loan from a shareholder and amounts due to/loan from related parties disclosed in Note 14, 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.

28. FINANCIAL INSTRUMENTS

28a. Categories of financial instruments

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets		
Loans and receivables (including banks and cash)	4,617,721	9,654,431
Designated at FVTPL (including structured deposits)	2,403,430	-
	<u> </u>	<u> </u>
Financial liabilities		
At amortised cost	3,931,279	3,904,931
	<u> </u>	<u> </u>

28. FINANCIAL INSTRUMENTS - continued

28b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, advances to a local authority, bank balances and cash, structured deposits, other payables, amounts due to/loan from a shareholder/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, loan from a shareholder/related parties and amounts due to a shareholder/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>2017</u> \$	<u>2016</u> \$	<u>2017</u> \$	<u>2016</u> \$
	Equivalent	Equivalent	Equivalent	Equivalent
\$	194,895	4,070,845	-	-
Hong Kong dollar	<u>49,450</u>	<u>839,149</u>	<u>1,976,905</u>	<u>2,276,989</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 \$85,816 (2016: \$131,650) for the year ended December 31, 2017.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the bank balances and loan from a shareholder and 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 a shareholder and related parties.

28. FINANCIAL INSTRUMENTS - continued

28b. 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 a shareholder/related parties (see Note 14 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 \$2,596 (2016: \$7,740).

For the loan from a shareholder/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 \$9,643 (2016: \$10,379).

(iii) Other price risk

The Group is exposed to price risk through its investments in structured deposits designated 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 equity instruments will not have a significant impact on the pre-tax loss for the year ended December 31, 2017 as a result of the changes in fair value of structured deposits.

28. FINANCIAL INSTRUMENTS - continued

28b. Financial risk management objectives and policies - continued

Credit risk

As at December 31, 2017, the Group's maximum exposure to credit risk which will cause financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and structured deposits are limited because the counterparties are banks with high credit ratings.

The Group has significant concentration of credit risk on its balance of advances to a local authority. The credit risk on the balance is limited because the local authority is state-owned.

Liquidity risk

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

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.

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 12.31.2017 \$
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	5.0	-	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>
2016						
Non-derivative financial liabilities						
- Other payables	-	1,627,942	-	-	1,627,942	1,627,942
- Amount due to a shareholder	-	201,277	-	-	201,277	201,277
- Loan from a shareholder	5.0	-	103,786	2,184,686	2,288,472	2,075,712
		<u>1,829,219</u>	<u>103,786</u>	<u>2,184,686</u>	<u>4,117,691</u>	<u>3,904,931</u>

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28. FINANCIAL INSTRUMENTS - continued

28c. Fair value

Fair value of the Group's financial assets are 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 - \$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.

No gains or losses are recognised in profit or loss relating to the change in fair value of structured deposits classified as Level 3 in the current year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurement is presented.

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

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.

29. RECONILIATION 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 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 14)	(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