
WINTAAI HOLDINGS LTD
NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2020

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Shareholders of
Wintaai Holdings Ltd

We have reviewed the accompanying interim financial statements of Wintaai Holdings Ltd that comprise the non-consolidated interim statement of financial position as at March 31, 2020, and non-consolidated interim statement of comprehensive income, non-consolidated interim statement of changes in shareholders' equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

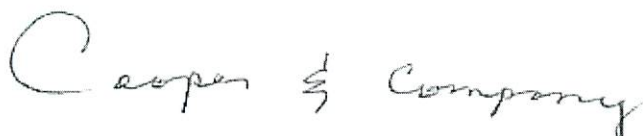
Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Wintaai Holdings Ltd as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").



Toronto, Ontario
May 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian dollars)

March 31, 2020

with comparative information for December 31, 2019

	March 31 2020	December 31 2019
ASSETS		
CURRENT		
Cash	\$ 8,936,837	\$ 5,404,451
Deferred tax asset (Note 9)	555,000	299,000
	<u>9,491,837</u>	<u>5,703,451</u>
INVESTMENT IN STONETRUST (Note 4)	<u>88,367,651</u>	<u>88,367,651</u>
	<u>\$ 97,859,488</u>	<u>\$ 94,071,102</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 19,245	\$ 18,495
Current portion of long-term debt (Note 7)	2,814,200	-
Due to related parties (Note 5)	205,053	5,056
	<u>3,038,498</u>	<u>23,551</u>
LONG-TERM DEBT (Note 7)	<u>13,197,866</u>	<u>14,781,946</u>
	<u>16,236,364</u>	<u>14,805,497</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 6)	83,386,285	80,239,471
DEFICIT	<u>(1,763,161)</u>	<u>(973,866)</u>
	<u>81,623,124</u>	<u>79,265,605</u>
	<u>\$ 97,859,488</u>	<u>\$ 94,071,102</u>

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE BOARD:

DIRECTOR

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Canadian dollars)

FOR THE QUARTER ENDED MARCH 31, 2020

with comparative information for the period ended March 31, 2019

	Three months from January 1, 2020 to March 31, 2020	Three months from January 1, 2019 to March 31, 2019
REVENUE		
Foreign exchange gain (loss)	\$ (1,035,873)	\$ 358,053
Capital gain	-	-
	<u>(1,035,873)</u>	<u>358,053</u>
EXPENSES		
Legal and audit	8,814	4,000
Office and general	608	-
	<u>9,422</u>	<u>4,000</u>
INCOME BEFORE INCOME TAXES	(1,045,295)	354,053
INCOME TAXES		
Deferred (recovered)	<u>(256,000)</u>	<u>89,000</u>
TOTAL COMPREHENSIVE INCOME	\$ (789,295)	\$ 265,053

See accompanying notes to the financial statements

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

FOR THE QUARTER ENDED MARCH 31, 2020

with comparative information for the quarter ended March 31, 2019

	Share Capital	Accumulated Other Comprehensive income	Deficit	Total
BALANCE, January 1, 2019	\$ 100	\$ -	\$ (1,561,829)	\$ (1,561,729)
TRANSACTIONS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2019				
Issue of common shares	67,831,050	-	-	67,831,050
Comprehensive income for the period	-	-	265,053	265,053
BALANCE, March 31, 2019	\$ 67,831,150	\$ -	\$ (1,296,776)	\$ 66,534,374
BALANCE, January 1, 2020	\$ 80,239,471	\$ -	\$ (973,866)	\$ 79,265,605
TRANSACTIONS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2020				
Issue of common shares	3,146,814	-	-	3,146,814
Comprehensive loss for the period	-	-	(789,295)	(789,295)
BALANCE, March 31, 2020	\$ 83,386,285	\$ -	\$ (1,763,161)	\$ 81,623,124

See accompanying notes to the financial statements

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2020

with comparative information for the period from January 1 to March 31, 2019

	January 1, 2020 to March 31, 2020	January 1, 2019 to March 31, 2019
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (789,295)	\$ 265,053
Charges to (credit from) income not involving cash:		
Deferred income tax expense (recovery)	(256,000)	89,000
	(1,045,295)	354,053
Changes in non-cash working capital balances related to operations:		
Increase in subscription receivable	-	(299,750)
Increase (decrease) in accounts payable and accrued charges	749	87,400
Cash flows generated from operating activities	(1,044,546)	141,703
FINANCING ACTIVITIES		
Change in long-term debt	1,230,122	(358,053)
Issue of share capital	3,146,814	299,750
Cash flows generated from (used in) financing activities	4,376,936	(58,303)
INVESTING ACTIVITIES		
Due to related parties	199,997	-
Investment in subsidiary company	-	(83,400)
Cash flows generated from (used in) investing activities	199,997	(83,400)
CHANGE IN CASH DURING THE PERIOD	3,532,388	-
CASH AND CASH EQUIVALENTS, beginning of the period	5,404,451	100
CASH AND CASH EQUIVALENTS, end of the period	\$ 8,936,838	\$ 100

See accompanying notes to the financial statements

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

MARCH 31, 2020

1. REPORTING ENTITY

Wintai Holdings Ltd (the "Company") was incorporated under the Business Corporations Act (Ontario) on September 8, 2017. The Company is an investment holding company. The Company's registered address is 110 Sheppard Avenue East, Suite 301, Toronto, Ontario, M2N 6Y8.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

The non-consolidated interim financial statements were authorized for issue by the Board of Directors on May 28, 2020.

(b) Basis of measurement

The financial instruments have been prepared on the historical cost basis, except for financial instruments in the statement of financial position, which are measured at fair value.

(c) Functional and presentation currency

These non-consolidated interim financial statements are presented in Canadian dollar, which is the Company's functional currency.

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Income taxes

The Company measures current income tax assets and liabilities at the amount expected to be recovered or paid to taxation authorities. The company uses the liability method to provide for deferred income taxes on all transactions recorded in the non-consolidated interim financial statements. The liability method requires that income taxes reflect the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and their bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, using the enacted or substantively enacted tax rates and tax laws that are expected to be in effect when the asset is realized or the liability is settled. Deferred income tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either accounting or taxable profit or loss. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in earnings in the period that includes the substantive enactment date. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currency of the company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of available-for-sale equity investments are recognised in other comprehensive income, except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss.

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments

Financial assets

IFRS 9 contains three principal classification categories for financial assets measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which financial asset is managed and its contractual cash flows.

The carrying values of cash approximate their fair values due to their short-term.

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest rate method. The Company initially recognizes financial liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company's financial liabilities consist of due to related parties, accounts payable and accrued charges and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

4. INVESTMENT

On January 3, 2018, the Company acquired 100% of the issued and outstanding common shares of Stonetrust Commercial Insurance Company ("Stonetrust"), an insurance company licensed in six states in United States including Nebraska, Louisiana, Arkansas, Mississippi, Oklahoma and Texas for a consideration of US \$70,379,460. On June 14, 2019 the Company sold 10,600 shares (0.265%) of Stonetrust to Stonetrust employees for total proceeds of US \$175,324.

5. DUE TO RELATED PARTIES

All balances with related parties are unsecured, non-interest bearing with no specific terms of repayment. Balance with related parties consist of the following:

	March 31, 2020	December 31 2019
Due to Chou Associates Management Inc., the parent company	\$ 205,053	\$ 5,056

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

MARCH 31, 2020

6. SHARE CAPITAL

At March 31, 2020 the authorized share capital consisted of an unlimited number of common shares. During the first quarter of 2019, the Company converted debt in the amount of \$67,531,300 into 4,502,087 common shares, in addition the Company issued 19,983 common shares for \$299,750 cash. On June 27, 2019, the Company issued 493,972 common shares for \$9,091,619 cash, net of issuing costs of \$22,153. On November 6, 2019, the Company issued 172,028 common shares for \$3,316,702 cash, net of issuing costs of \$19,129. On January 31, 2020 the Company issued 158,667 common shares for \$3,146,814 cash, net of issuing costs of \$7,451. There was a total of 5,346,837 common shares issued as at March 31, 2020 (5,188,170 - December 31, 2019).

7. LONG-TERM DEBT

The purchase price for the acquisition of Stonetrust was payable US\$40 million on closing, US\$15 million 135 days after closing, US\$2 million on the first, second and third anniversaries of the closing and the balance on the fourth anniversary date. Any amounts not paid on the scheduled date bears interest at LIBOR (London Interbank Offered Rate) plus 5%. The balance is due on January 3, 2022.

	March 31 2020	December 31 2019
Loan payable	\$ 16,012,066	\$ 14,781,946
Repayment within the next 12 months	<u>2,814,200</u>	<u>-</u>
Long-term portion	<u>\$ 13,197,866</u>	<u>\$ 14,781,946</u>

Principal repayments to be made during the next 2 years, at which time the long-term debt will be fully repaid, are as follows:

2021	\$ 2,814,200
2022	<u>13,197,866</u>
	<u>\$ 16,012,066</u>

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Expressed in Canadian dollars)

MARCH 31, 2020

8. FINANCIAL RISK MANAGEMENT

The company is exposed to a number of risks through its financial instruments comprising cash, due from related parties, long-term debt and accounts payable and accrued liabilities. Risk management relates to the active management of risks associated with all areas of the company and its operating environment. The financial instruments are exposed to currency risk and liquidity risk.

a Currency risk

The Company is subject to currency risk through its U.S. dollar denominated cash and loan payable. Changes in the exchange rate may result in a decrease or increase in the gain or loss on foreign exchange. The Company does not use derivative instruments to mitigate this risk. As at March 31, 2020, the Company had the following balances denominated in US dollars: cash of \$3,179,986 (December 31, 2019 - \$703,552); and loan payable of \$16,012,066 (December 31, 2019 - \$14,781,946).

b Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities. The Parent company retains sufficient cash to fund the payment of the loan payable and the accounts payable and accrued liabilities as they come due. Consequently, liquidity risk to the company is considered to be minimal.

c Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The long-term loan is subject to a cash flow risk.

9. INCOME TAXES

Deferred income tax liabilities are attributable to the unrealized foreign exchange losses.

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Expressed in Canadian dollars)

MARCH 31, 2020

10. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the World. The COVID-19 pandemic has negatively impacted the global economy. The extent of the impact of the COVID-19 pandemic on the Company's subsidiary investment will depend on certain developments, including the duration and spread of the outbreak and the impact on communities, all of which are uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may impact the Company's financial condition cannot be reasonably estimated at this time.