

Wintaai Holdings Ltd
Derivation of Adjusted Book Value
June 30, 2020

	CDN \$
Wintaai net asset value as of June 30, 2020 per financial statements	\$ 88,793,828
Stonetrust valuation adjustment	
Net asset value at June 30, 2020 - $\$80,827,677 \times 1.3611$	110,014,147
Less: minority interest $(0.265\% \times \$80,827,677 \times 1.3611)$	(291,537)
Less: value per Wintaai financial statements (at historical cost)	(88,367,651)
	<u>21,354,959</u>
Adjusted Wintaai book value as of June 30, 2020	<u>\$ 110,148,787</u>
Number of shares outstanding :	
Shares held by Francis Chou, CAM and its affiliates	4,584,670
First subscription round	431,472
Second subscription round	172,028
Third subscription round	158,667
	<u>5,346,837</u>
Adjusted book value per share	\$ 20.60
10% premium	<u>2.06</u>
Subscription price for new investors in CDN \$	<u><u>\$ 22.66</u></u>

Notice to Reader

The above calculation was prepared without audit from information provided by management.

WINTAAI HOLDINGS LTD
NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 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 June 30, 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 June 30, 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
August 24, 2020

Chartered Professional Accountants
Licensed Public Accountants

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

June 30, 2020
with comparative information for December 31, 2019

	June 30 2020	December 31 2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 104,265	\$ 5,404,451
Marketable securities (Note 4)	1,421,874	-
Deferred tax asset (Note 10)	-	299,000
	<u>1,526,139</u>	<u>5,703,451</u>
INVESTMENT IN STONETRUST (Note 5)	<u>88,367,651</u>	<u>88,367,651</u>
	<u>\$ 89,893,790</u>	<u>\$ 94,071,102</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 626,878	\$ -
Accounts payable and accrued charges	20,000	18,495
Current portion of long-term debt	-	-
Deferred tax liability (Note 10)	412,000	-
Income taxes payable	36,038	-
Due to related parties (Note 6)	5,046	5,056
	<u>1,099,962</u>	<u>23,551</u>
LONG-TERM DEBT (Note 8)	<u>-</u>	<u>14,781,946</u>
	<u>1,099,962</u>	<u>14,805,497</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 7)	83,386,285	80,239,471
RETAINED EARNINGS (DEFICIT)	<u>5,407,543</u>	<u>(973,866)</u>
	<u>88,793,828</u>	<u>79,265,605</u>
	<u>\$ 89,893,790</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 CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)FOR SIX MONTHS ENDED JUNE 30, 2020
with comparative information for six months ended June 30, 2019

	Share Capital	Accumulated Other Comprehensive income	Retained earnings (Deficit)	Total
BALANCE, January 1, 2019	\$ 100	\$ -	\$ (1,561,829)	\$ (1,561,729)
TRANSACTIONS FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2019				
Issue of common shares	76,922,669	-	-	76,922,669
Comprehensive income for the period	-	-	566,311	566,311
BALANCE, June 30, 2019	\$ 76,922,769	\$ -	\$ (995,518)	\$ 75,927,251
BALANCE, January 1, 2020	\$ 80,239,471	\$ -	\$ (973,866)	\$ 79,265,605
TRANSACTIONS FOR THE PERIOD FROM JANUARY 1 TO JUNE 30, 2020				
Issue of common shares	3,146,814	-	-	3,146,814
Comprehensive income for the period	-	-	6,381,409	6,381,409
BALANCE, June 30, 2020	\$ 83,386,285	\$ -	\$ 5,407,543	\$ 88,793,828

See accompanying notes to the financial statements

Cooper & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

FOR THREE MONTHS ENDED June 30, 2020
with comparative information for three months ended June 30, 2019

	Share Capital	Accumulated Other Comprehensive income	Retained earnings (Deficit)	Total
BALANCE, April 1, 2019	\$ 67,831,050	\$ -	\$ (1,296,776)	\$ 66,534,274
TRANSACTIONS FOR THE PERIOD FROM APRIL 1 TO JUNE 30, 2019				
Issue of common shares	9,091,619	-	-	9,091,619
Comprehensive income for the period	-	-	301,258	301,258
BALANCE, June 30, 2019	\$ 76,922,669	\$ -	\$ (995,518)	\$ 75,927,151
BALANCE, April 1, 2020	\$ 83,386,285	\$ -	\$ (1,763,163)	\$ 81,623,122
TRANSACTIONS FOR THE PERIOD FROM APRIL 1 TO JUNE 30, 2020				
Issue of common shares	-	-	-	-
Comprehensive income for the period	-	-	7,170,706	7,170,706
BALANCE, June 30, 2020	\$ 83,386,285	\$ -	\$ 5,407,543	\$ 88,793,828

See accompanying notes to the financial statements



Cooper & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Canadian dollars)

FOR THE PERIOD ENDED JUNE 30, 2020

with comparative information for the period ended June 30, 2019

	Three months from April 1, 2020 to June 30, 2020	Three months from April 1, 2019 to June 30, 2019	Six months from January 1, 2020 to June 30, 2020	Six months from January 1, 2019 to June 30, 2019
REVENUE				
Foreign dividend income	\$ 4,088,304	\$ -	\$ 4,088,304	\$ -
Gain from loan settlement (Note 8)	2,766,277	-	2,766,277	-
Foreign exchange gain (loss)	593,649	433,735	(442,224)	791,787
Unrealized gain on investments	550,612	-	550,612	-
Realized gain on sale of investments	186,577	1,012	186,577	1,012
	<u>8,185,419</u>	<u>434,747</u>	<u>7,149,546</u>	<u>792,799</u>
EXPENSES				
Legal and audit	6,010	26,427	14,825	30,427
Foreign withholding taxes	4,772	-	4,772	-
Office and general	893	62	1,502	61
	<u>11,675</u>	<u>26,488</u>	<u>21,099</u>	<u>30,488</u>
INCOME BEFORE INCOME TAXES	8,173,744	408,258	7,128,447	762,311
INCOME TAXES				
Current	36,038	-	36,038	-
Deferred	967,000	107,000	711,000	196,000
	<u>1,003,038</u>	<u>107,000</u>	<u>747,038</u>	<u>196,000</u>
TOTAL COMPREHENSIVE INCOME	7,170,706	301,258	6,381,409	566,311

See accompanying notes to the financial statements

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

FOR THE PERIODS FROM JANUARY 1 TO JUNE 30, 2020

with comparative information for the period from January 1 to June 30, 2019

	April 1, 2020 to June 30, 2020	April 1, 2019 to June 30, 2019	January 1, 2020 to June 30, 2020	January 1, 2019 to June 30, 2019
OPERATING ACTIVITIES				
Net income for the period	\$ 7,170,706	\$ 301,258	\$ 6,381,409	\$ 566,311
Charges to (credit from) income not involving cash:				
Realized gain on sale of investments	(186,577)	(1,012)	(186,577)	(1,012)
Unrealized gain on investments	(550,612)	-	(550,612)	-
Deferred income tax expense (recovery)	967,000	107,000	711,000	196,000
	7,400,517	407,246	6,355,220	761,299
Changes in non-cash working capital balances related to operations:				
Increase in amounts receivable	-	299,750	-	-
Increase (decrease) in accounts payable and accrued charges	756	(214,629)	1,505	(127,231)
Increase (decrease) in income taxes payable	36,038	-	36,038	-
Cash flows generated from operating activities	7,437,311	492,367	6,392,763	634,068
FINANCING ACTIVITIES				
Change in long-term debt	(16,012,066)	(4,935,842)	(14,781,944)	(72,825,193)
Increase in bank indebtedness	626,878	-	626,878	-
Issue of share capital	-	9,091,619	3,146,814	76,922,669
Cash flows generated from (used in) financing activities	(15,385,188)	4,155,777	(11,008,252)	4,097,476
INVESTING ACTIVITIES				
Proceeds of dispositions	2,419,240	-	2,419,240	235,810
Due to related parties	(200,008)	235,810	(10)	-
Purchase of marketable securities	(3,103,927)	-	(3,103,927)	-
Investment in subsidiary company	-	(76,359)	-	(159,759)
Cash flows generated from (used in) investing activities	(884,695)	159,451	(684,697)	76,051
CHANGE IN CASH DURING THE PERIOD	(8,832,572)	4,807,595	(5,300,187)	4,807,595
CASH AND CASH EQUIVALENTS, beginning of the period	8,936,837	100	5,404,451	100
CASH AND CASH EQUIVALENTS, end of the period	\$ 104,265	\$ 4,807,695	\$ 104,265	\$ 4,807,695

See accompanying notes to the financial statements

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

JUNE 30, 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 August 31, 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)

JUNE 30, 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)

JUNE 30, 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. MARKETABLE SECURITIES

The company's marketable securities consist of the following:

	June 30, 2020		December 31, 2019	
	Fair value	Cost	Fair value	Cost
Public company shares	\$ 1,421,874	\$ 843,855	-	-

WINTAAI HOLDINGS LTD

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

JUNE 30, 2020

5. 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.

6. 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:

	June 30, 2020	December 31 2019
Due to Chou Associates Management Inc., the parent company	\$ 5,046	\$ 5,056

7. SHARE CAPITAL

At June 30, 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 June 30, 2020 (5,188,170 - December 31, 2019).

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

JUNE 30, 2020

8. 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 loan was paid off in June 29, 2020 with the early settlement discount of US\$2,032,371.

	June 30 2020	December 31 2019
Loan payable	\$ -	\$ 14,781,946
Repayment within the next 12 months	-	-
Long-term portion	\$ -	\$ 14,781,946

WINTAAI HOLDINGS LTD

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

JUNE 30, 2020

9. 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, bank indebtedness and marketable securities. 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 June 30, 2020, the Company had the following balances denominated in US dollars: cash of \$67,786 (December 31, 2019 - \$703,552); bank indebtedness of \$626,877 (December 31, 2019 - \$Nil) and marketable securities \$1,421,868 (December 31, 2019 - \$Nil).

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.

d Other price risk

Other price risk is the possibility that investments will change in value due to future fluctuations in market prices. The company has invested funds in marketable securities which are traded on public stock exchanges. This exposes the company to the risk of fluctuating market values.

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

JUNE 30, 2020

9. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets

Disclosures requires disclosure of a three-level hierarchy for fair value measurements of financial assets on the statement of financial position that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1 - Inputs used in making the measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs used In making the measurements are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs used In making the measurements are not based on observable market data (unobservable inputs).The following table presents the financial assets measured at fair value classified by the fair value hierarchy set out above:

June 30, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Short-term investments	\$ 1,421,874	\$ -	\$ -	\$ 1,421,874
	\$ 1,421,874	\$ -	\$ -	\$ 1,421,874

10. INCOME TAXES

Deferred income tax liabilities are attributable to the unrealized foreign exchange gains and the loan settlement gain.

WINTAAI HOLDINGS LTD

NOTES TO NON-CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

JUNE 30, 2020

11. 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.