
WINTAAI HOLDINGS LTD
NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Directors of
Wintaai Holdings Ltd:

We have audited the accompanying non-consolidated financial statements of Wintaai Holdings Ltd, which comprise the non-consolidated statement of financial position as at December 31, 2018 and 2017, the non-consolidated statements of comprehensive operations, deficit and cash flows for the years then ended, and notes, comprising 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Cooper & Company

Toronto, Ontario
April 30, 2019

Chartered Professional Accountants
Licensed Public Accountants

WINTAAI HOLDINGS LTD

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

DECEMBER 31, 2018
with comparative information for 2017

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 100	\$ 100
Deferred tax asset	<u>512,000</u>	<u>-</u>
	512,100	100
INVESTMENT IN STONETRUST (Note 5)	<u>88,442,689</u>	<u>-</u>
	\$ 88,954,789	\$ 100
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	\$ 183,808	\$ -
Current portion of long-term debt (Note 7)	4,652,150	-
Due to related parties (Note 4)	<u>67,531,300</u>	<u>-</u>
	72,367,258	-
LONG-TERM DEBT (Note 7)	<u>18,149,260</u>	<u>-</u>
	90,516,518	-
SHAREHOLDER'S DEFICIENCY		
SHARE CAPITAL (Note 6)	100	100
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	-
DEFICIT	<u>(1,561,829)</u>	<u>-</u>
	(1,561,729)	100
	\$ 88,954,789	\$ 100

APPROVED ON BEHALF OF THE BOARD:

Director

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018

with comparative information for 2017

	2018	2017
REVENUE		
Foreign exchange loss	(2,069,748)	-
EXPENSES		
Legal and audit	4,000	-
Interest and bank charges	81	-
	<u>4,081</u>	<u>-</u>
LOSS BEFORE INCOME TAXES	(2,073,829)	-
PROVISION FOR INCOME TAXES		
Deferred	(512,000)	-
TOTAL COMPREHENSIVE LOSS	<u>\$ (1,561,829)</u>	<u>\$ -</u>



WINTAAI HOLDINGS LTD

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Expressed in Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018
with comparative information for 2017

	Share Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
SHARES ISSUED FOR CASH	\$ 100	\$ -	\$ -	\$ 100
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD				
Total comprehensive loss for the year	-	-	-	-
BALANCE, December 31, 2017	\$ 100	\$ -	\$ -	100
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	-	-	(1,561,829)	(1,561,829)
Total comprehensive loss for the year	-	-	(1,561,829)	(1,561,829)
BALANCE, December 31, 2018	\$ 100	\$ -	\$ (1,561,829)	\$ (1,561,729)

WINTAAI HOLDINGS LTD

NON-CONSOLIDATED STATEMENT OF CASH FLOWS (Expressed in Canadian dollars)

FOR THE YEAR ENDED DECEMBER 31, 2018
with comparative information for 2017

	2018	2017
OPERATING ACTIVITIES		
Net loss for the years	\$ (1,561,829)	\$ -
Charges to operations not involving cash:		
Deferred income tax expense	<u>(512,000)</u>	<u>-</u>
	<u>(2,073,829)</u>	<u>-</u>
Changes in non-cash working capital balances related to operations:		
Increase in accounts payable and accrued charges	<u>183,808</u>	<u>-</u>
Cash flows used in operating activities	<u>(1,890,021)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from new debt	22,801,410	-
Issue of share capital	<u>-</u>	<u>100</u>
Cash flows generated from financing activities	<u>22,801,410</u>	<u>100</u>
INVESTING ACTIVITIES		
Investment in subsidiary company	(88,442,689)	-
Due to related parties	<u>67,531,300</u>	<u>-</u>
Cash flows used in (used in) investing activities	<u>(20,911,389)</u>	<u>-</u>
CHANGE IN CASH, DURING THE YEAR	-	100
CASH AND CASH EQUIVALENTS , beginning of the year	<u>100</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of the year	\$ 100	\$ 100

WINTAAI HOLDINGS LTD

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

DECEMBER 31, 2018

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

The non-consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2019.

(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 financial statements are presented in Canadian dollar, which is the Company's functional currency.

WINTAAI HOLDINGS LTD

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

DECEMBER 31, 2018

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 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 FINANCIAL STATEMENTS (Expressed in Canadian dollars)

DECEMBER 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments

Financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company's financial assets are comprised of investment and cash.

Cash

Cash comprise cash in hand. Cash is recorded at cost, which is equivalent to its fair value.

Financial liabilities

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 accounts payable and accrued charges and loan payable.

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.

(d) Investment in subsidiary

The Company uses the cost method to account for its subsidiary, which are the entities over which it has the continuing power to determine the strategic operating, investing and financing policies without the co-operation of others.

WINTAAI HOLDINGS LTD

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

DECEMBER 31, 2018

4. 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:

	<u>2018</u>
Due to Chou Associates Management Inc., the parent company	\$ 57,563,481
Due to the director	<u>9,967,819</u>
	<u>\$ 67,531,300</u>

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.

6. SHARE CAPITAL

At December 31, 2018 the authorized share capital consisted of an unlimited number of common shares. There were 100 common shares issued as at December 31, 2018.

WINTAAI HOLDINGS LTD

NOTES TO FINANCIAL STATEMENTS (Expressed in Canadian dollars)

DECEMBER 31, 2018

7. LONG-TERM DEBT

The purchase price for the acquisition of Stonetrust was payable USD \$40 million on closing, USD \$15 million 135 days after closing, USD \$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 bear interest at LIBOR (London Interbank Offered Rate) plus 5%. The balance is due on January 3, 2022.

	2018
Loan payable	\$ 22,801,410
Repayment within the next 12 months	<u>4,652,150</u>
Long-term portion	\$ <u>18,149,260</u>

Principal repayments to be made during the next 4 years, at which time the long-term debt will be fully repaid, are as follows:

2019	\$ 4,652,150
2020	2,713,000
2021	2,713,000
January 3, 2022	<u>12,723,260</u>
	\$ <u>22,801,410</u>

WINTAAI HOLDINGS LTD

NOTES TO FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

DECEMBER 31, 2018

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 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 December 31, 2018, the Company had the loan payable of \$22,801,410 (2017 - \$-).

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.
