

**WINTAAI HOLDINGS LTD.
NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Wintaai Holdings Ltd.

Opinion

We have audited the non-consolidated financial statements of Wintaai Holdings Ltd. (the "Company"), which comprise the non-consolidated statement of financial position as at December 31, 2020 and the non-consolidated statement of income and comprehensive income, non-consolidated statement of changes in shareholders' equity and non-consolidated statement of cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2020, its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the non-consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The non-consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on April 30, 2020.

Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 30, 2021

WINTAAI HOLDINGS LTD.
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT DECEMBER 31, 2020 AND 2019

	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash	205,093	5,404,451
Marketable securities (Note 10)	1,283,877	-
Deferred tax asset (Note 7)	-	299,000
Total current assets	<u>1,488,970</u>	<u>5,703,451</u>
Investment in Stonetrust (Note 6)	<u>88,210,381</u>	<u>88,367,651</u>
Total assets	<u>89,699,351</u>	<u>94,071,102</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges	7,910	18,495
Income taxes payable	20,675	-
Due to related parties (Note 4)	195,520	5,056
Total current liabilities	<u>224,105</u>	<u>23,551</u>
Deferred tax liability (Note 7)	322,000	-
Long-term debt (Note 8)	<u>-</u>	<u>14,781,946</u>
Total liabilities	<u>546,105</u>	<u>14,805,497</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	83,386,285	80,239,471
Retained earnings (deficit)	<u>5,766,961</u>	<u>(973,866)</u>
Total shareholder's equity	<u>89,153,246</u>	<u>79,265,605</u>
Total liabilities and shareholders' equity	<u>89,699,351</u>	<u>94,071,102</u>

Contingencies (Note 9)

Approved on behalf of the Board:

Francis Chau, Director

Refer to accompanying notes to the non-consolidated financial statements.

WINTAAI HOLDINGS LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
	\$	\$
REVENUE		
Dividend from Stonetrust (Note 6)	4,015,423	-
Dividend Income	45,038	-
Interest Income	40,894	-
Realized gain on sale of marketable securities	432,100	-
Realized (loss) gain on sale of shares in subsidiary	(4,043)	1,012
Total revenue	<u>4,529,412</u>	<u>1,012</u>
Expenses		
Legal and audit	33,245	59,081
Office and general	2,220	1,049
Total expenses	<u>35,465</u>	<u>60,130</u>
Income before other income	<u>4,493,947</u>	<u>(59,118)</u>
Other income (expenses)		
Gain on debt extinguishment (Note 8)	2,766,277	-
Foreign withholding taxes paid (Note 6)	(197,204)	-
Foreign exchange (loss) gain	(441,441)	860,081
Unrealized gain on marketable securities	760,923	-
Total other income	<u>2,888,555</u>	<u>860,081</u>
Income before income taxes	<u>7,382,502</u>	<u>800,963</u>
Income taxes (Note 7)		
Current	20,675	-
Deferred	621,000	213,000
Total income taxes	<u>641,675</u>	<u>213,000</u>
Net income and comprehensive income	<u>6,740,827</u>	<u>587,963</u>

Refer to accompanying notes to the non-consolidated financial statements.

WINTAAI HOLDINGS LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Share Capital		(Deficit) Retained Earnings	Total Shareholder's Equity
	#	\$	\$	\$
Balance, December 31, 2018	100	100	(1,561,829)	(1,561,729)
Shares issued on conversion of debt (Notes 4 and 5)	4,502,087	67,531,300	-	67,531,300
Shares issued during the year, net of costs (Note 5)	685,983	12,708,071	-	12,708,071
Net income and comprehensive income for the year	-	-	587,963	587,963
Balance, December 31, 2019	5,188,170	80,239,471	(973,866)	79,265,605
Shares issued during the year, net of costs (Note 5)	158,667	3,146,814	-	3,146,814
Net income and comprehensive income for the year	-	-	6,740,827	6,740,827
Balance, December 31, 2020	5,346,837	83,386,285	5,766,961	89,153,246

Refer to accompanying notes to the non-consolidated financial statements.

WINTAAI HOLDINGS LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net income for the year	6,740,827	587,963
Charges to income not involving cash:		
Unrealized (gain) on marketable securities	(760,923)	-
Realized foreign exchange loss on debt extinguishment	712,891	-
(Gain) on debt extinguishment (Note 8)	(2,766,277)	-
Deferred income tax expense	621,000	213,000
(Gain) on sale of marketable securities	(432,100)	-
Loss (gain) on sale of subsidiary shares (Note 6)	4,043	(1,012)
	<u>4,119,461</u>	<u>799,951</u>
Changes in non-cash working capital balances related to operations:		
Accounts payable and accrued charges	(10,585)	(165,312)
Income taxes payable	20,675	-
Cash flows from operating activities	<u>4,129,551</u>	<u>634,639</u>
FINANCING ACTIVITIES		
Advances from related party	190,464	-
Repayment of long term debt (Note 8)	(12,728,560)	(8,019,465)
Issue of share capital (Note 5)	3,152,020	80,280,653
Share issuance costs (Note 5)	(5,206)	(41,282)
Cash flows from financing activities	<u>(9,391,282)</u>	<u>72,219,906</u>
INVESTING ACTIVITIES		
Purchases of marketable securities	(3,154,646)	-
Proceeds on sale of marketable securities	3,063,792	-
Investment in subsidiary company	-	(159,761)
Proceeds on sale of shares in subsidiary (Note 6)	153,227	235,811
Due from related parties	-	(67,526,244)
Cash flows from investing activities	<u>62,373</u>	<u>(67,450,194)</u>
CHANGE IN CASH , during the year	(5,199,358)	5,404,351
CASH , beginning of the year	<u>5,404,451</u>	<u>100</u>
CASH , end of the year	<u>205,093</u>	<u>5,404,451</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Common shares issued on conversion of debt (Note 5)	-	67,531,300

Refer to accompanying notes to the non-consolidated financial statements.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

1. NATURE OF OPERATIONS

Wintaai Holdings Ltd. (the "Company") was incorporated under the Business Corporations Act (Ontario) on September 8, 2017. The Company is an investment holding company and is controlled by Chou Associates Management Inc., the parent 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") as issued by the International Accounting Standards Board ("IASB").

The Company is exempted from consolidation per IFRS 10 as its parent company, Chou Associates Management Inc. prepares consolidated financial statements in accordance with IFRS. These non-consolidated financial statements therefore represent separate financial statements of Wintaai Holdings Ltd.

The non-consolidated financial statements were authorized for Issue by the Board of Directors on March 30, 2021.

(b) Basis of measurement

The non-consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value, where outlined below. In addition, these non-consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and presentation currency

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

(d) Use of estimates and judgement

The preparation of non-consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the management of the Company to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 3 below.

(e) Reclassification of prior year amounts

Certain comparative figures included in the statement of income and comprehensive income for the year ended December 31, 2019 have been reclassified to conform to presentation adopted for the current year. There has been no changes to the reported net income and comprehensive income for the year ended December 31, 2019, due to this reclassification.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

The Company's cash consists of immediately available fund balances and is maintained at recognized Canadian banks. The Company did not have any cash equivalents as at December 31, 2020 and 2019.

(b) 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.

(c) 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 THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment in subsidiary

The Company has elected to use the cost method to account for its subsidiary. Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At the end of each reporting period, the Company reviews the carrying amount of its investment in subsidiary to determine whether there is any indication that the asset is impaired. Where such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company has assessed its investment in subsidiary and determined that a charge for the impairment of investment is not warranted for the year ended December 31, 2020 (2019 – same).

(e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and share options are recognized as a deduction from equity, net of any tax effects. Equity to be issued is recognized when an agreement to acquire shares has been entered into, consideration has been received and there is an obligation to issue shares. Equity to be issued is transferred to common shares once the shares have formally been issued.

(f) Marketable securities

Securities, including shares, options, and warrants that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date.

For all other investments not traded on an active market, fair value may be determined using observable current market transactions involving the same or similar investment, or by using other valuation techniques, such as the Black-Scholes option pricing model if sufficient and reliable market inputs are available.

Purchases and sales of investments are recognized on a trade date basis.

The Company classifies its securities as current as they are held for trading. Unrealized losses (gains) on the Company's securities are recognized in the statement of income and comprehensive income.

The cost of investments represents the amount paid for each security and is determined on an average cost basis. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment. These costs include fees and commissions paid to agents, advisers and brokers, including any sales tax.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value hierarchy

All financial instruments recognized at fair value in the non-consolidated balance sheets are classified into three fair value hierarchy levels as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

The Company will transfer financial instruments into or out of levels in the fair value hierarchy to the extent the instrument no longer satisfies the criteria for inclusion in the category in question. Level 3 valuations are prepared by the Company and reviewed and approved by management at each reporting date. Valuation results, including the appropriateness of model inputs, are compared to actual market transactions to the extent readily available.

(g) Revenue

The Company recognizes capital gains or losses on the date of disposition of its securities when evidence of a disposition exists and the proceeds from the disposition are known. Unrealized gains and losses in the value of investments are reflected in the statement of comprehensive loss on a trade-date basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Dividend income is recorded when received. Interest and other income are recorded on an accrual basis.

(h) 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.

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 accounts payable and accrued charges, due to related parties, 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.

Fair value of financial instruments

Company management assessed that cash, accounts payable and accrued charges, and amounts due to related parties approximate their carrying amounts due to the short-term maturities of these instruments.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations recently adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

Accounting changes

During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company’s financial statements.

Critical accounting estimates and judgements

In the application of the Company’s accounting policies, which are described in note 2 above, the Company’s management are 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 assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the non-consolidated financial statements are described below.

Contingencies
See Note 9.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of transacting business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company'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.

Deferred tax assets

Deferred tax assets are recognized for certain tax losses to the extent it is probable that sufficient taxable profit will be generated in order to utilize the losses. This involves a certain degree of estimation and income tax estimates could change as a result of: (i) changes in tax laws and regulations, both domestic and foreign; or (ii) a change in foreign affiliate rules. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized based on the likely timing and the level of future taxable profits together with future tax planning strategies.

4. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Key employees include executive management with the authority and responsibility for planning, directing and controlling the activities of the Company. Management and directors of the Company did not receive compensation during the years ended December 31, 2020 and 2019.

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

	2020	2019
	\$	\$
Due to Chou Associates Management Inc.	5,046	5,056
Due to Stonetrust Commercial Insurance Company	190,474	-
	195,520	5,056

During the year ended December 31, 2019, Chou Associates Management Inc. and a director of the Company converted aggregate loans in the amount of \$67,531,300 into common shares of the Company. In addition, during the year ended December 31 2019, Chou Associates Management Inc. subscribed for 19,983 common shares for cash proceeds of \$299,750. See Note 5.

See also Note 7.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

5. SHARE CAPITAL

Authorized share capital: unlimited number of common shares

During the year ended December 31, 2019, the Company converted debt in the amount of \$67,531,300 into 4,502,087 common shares (see Note 4).

During the year ended December 31, 2019, the Company issued 19,983 common shares for cash proceeds of \$299,750 (see Note 4).

On June 27, 2019, the Company issued 493,972 common shares for cash proceeds of \$9,091,619, net of issuance costs of \$22,153. On November 6, 2019, the Company issued 172,028 common shares for cash proceeds of \$3,316,702, net of issuance costs of \$19,129.

On January 31, 2020, the Company issued 158,667 common shares at a price of \$19.84 (US \$14.98) per common share, for total cash consideration of \$3,152,020. The Company incurred issue costs of \$5,206 in connection with this financing.

6. INVESTMENT IN STONETRUST

On January 3, 2019, 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 the United States including Nebraska, Louisiana, Arkansas, Mississippi, Oklahoma and Texas, for consideration of US\$70,379,460.

On June 14, 2019, the Company sold 10,600 shares representing a 0.265% interest in Stonetrust, to Stonetrust employees for total proceeds of US\$175,324 (\$235,811) and realized a gain of \$1,012 on the sale.

On July 28, 2020, the Company entered into a stockholders' agreement with Stonetrust and its stockholders (herein as referred to the "Stockholders") for the re-purchase of common shares of Stonetrust. The Company sold 7,100 shares, representing a 0.178% interest in Stonetrust, to the Stockholders for total proceeds of US\$114,736 (\$153,227) and realized a loss of \$4,043 on the sale.

As at December 31, 2020, the Company held a 99.56% interest in Stonetrust (2019 – 99.74%).

Under the stockholders' agreement, the Company has the option to purchase all or any portion of the Stonetrust shares at the current value per share given any the following events has occurred;

- (i) the termination of employment of the Stockholder, termination of contractual relationship or service as a director of the Stockholder,
- (ii) the death of the Stockholder or liquidation, dissolution of the stockholder, given it is an entity or trust,
- (iii) a judicial decree concerning the division of marital property of the Stockholder.

In addition, the stockholder has the option under the agreement, after 5 years from the date of purchase to sell their shares at the current value per share at the time of exercise to the Company.

As none of the afore mentioned events has occurred as of December 31, 2020 and 2019, a liability relating to the re-purchase of shares by the Company has not been recorded in these financial statements.

During the year ended December 31, 2020, the Company received dividend income of US\$2,992,050 (\$4,015,423) (2019 - \$Nil) from Stonetrust. Foreign taxes withheld on this income amounted to US\$149,603 (\$190,475) (2019 - \$Nil).

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

7. INCOME TAXES

Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 – 26.5%) were as follows:

	2020	2019
	\$	\$
Income before income taxes	7,382,502	800,963
Expected income tax expense based on statutory rate	1,956,000	212,255
Adjustment to expected income tax recovery:		
Share issue costs	(1,000)	-
Tax effect on aggregate investment income	(17,000)	-
Expenses not deductible for tax purposes	48,675	-
Change in tax costs of investments	19,000	-
Tax effect of income not taxable	(1,524,000)	-
Change in benefit of tax assets recognized	(160,000)	745
Income tax provision	641,675	213,000
Recorded as:		
Current income taxes	20,675	-
Deferred income taxes	621,000	213,000
	641,675	213,000

During the year ended December 31, 2020, the Company realized debt forgiveness of \$2,766,277 (see Note 8), which is taxable. An election is available, whereby Chou Associates Management Inc., the parent company, agreed to apply \$1,371,000 of its capital losses to offset a portion of the debt forgiveness income, resulting in tax savings to the Company of approximately \$370,000.

Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2020	2019
	\$	\$
Recognized deferred tax assets and (liabilities):		
Marketable securities	(322,000)	-
Unrealized foreign exchange losses	-	299,000
Deferred income tax (liability) asset	(322,000)	299,000

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

8. LONG-TERM DEBT

The purchase price consideration for the acquisition of Stonetrust (see Note 6) was comprised of US\$40 million payable on closing (US\$40 million paid), US\$15 million due 135 days after closing (US \$15 million paid), US\$2 million due on the first, second and third anniversaries of the closing and the balance due on the fourth anniversary date. Any amounts not paid on the scheduled date bore interest at LIBOR (London Interbank Offered Rate) plus 5%. The balance was due on January 3, 2022.

During the year ended December 31, 2020, in consideration for payment of US\$11,379,480 (\$12,728,560) the creditor agreed to the settlement of the debt in full, and as a result, the Company recorded loan forgiveness in the amount of US\$2,032,391 (\$2,766,277).

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

9. CONTINGENCIES

Since March 16, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. It is uncertain what impact this volatility and weakness will have on the Company's investments. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

See also Note 6.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

10. 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

Foreign exchange risk is the risk to the Company's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company has transactions in US dollars and had the following foreign currency balances at December 31, 2020 and 2019:

	2020	2019
	US\$	US\$
Cash	164,451	541,611
Marketable securities	975,412	-
Due to related parties	(3,853)	(3,853)
Loan payable	-	(11,379,480)

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. A 10% appreciation (depreciation) of the US dollar against the Canadian dollar, with all other variables held constant, would result in approximately a \$142,953 (2019 - \$1,408,123) decrease (increase) in the Company's net income for the year.

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.

WINTAAI HOLDINGS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
DECEMBER 31, 2020

10. FINANCIAL RISK MANAGEMENT (Continued)

d) Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount, given their short term nature. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values.

The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2020:

	Quoted Prices in Active markets for Identical Assets (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Aggregate Fair Value \$
Publicly traded investments	1,237,183	-	-	1,237,183
Bonds	-	46,694	-	46,694
	<u>1,237,183</u>	<u>46,694</u>	<u>-</u>	<u>1,283,877</u>

There were no transfers in or out of Levels 1, 2 or 3 during the years ended December 31, 2020 and 2019.