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SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Reference is made to the announcement of Carry Wealth Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) dated 29 March 2019 in relation to the annual results of the Group for the year ended 31 December 2018 (the “2018 Annual Results Announcement”) and the annual report of the Group for the year ended 31 December 2018 (the “2018 Annual Report”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2018 Annual Results Announcement and 2018 Annual Report.

Reference is made to the paragraph headed “Extract of Independent Auditors’ Report” of the 2018 Annual Results Announcement. The Board wishes to supplement the following:

- 1) *Details of the audit qualification and the actions and proposed plan of the Company to remove the audit qualification*

The Group held a 41.45% equity interest in Exellar Limited (the “Associate”). As announced by the Company on 12 January 2018, the Associate completed the acquisition of 80% interest in United Resources Group Pte Ltd (the “URG”) from the founder of URG (“Founder”) for a consideration of US\$7,000,000, determined based on factors including the Founder’s representation and warranties on URG’s business, operation and financials. Following the acquisition of URG, the Associate had a solid platform to offer security and crisis management services.

Since the acquisition, URG has always been managed by Founder, who held 20% equity interest in URG. The books and records of URG were maintained and prepared by an accounting service provider (the “Accounting Service Provider”) who was employed by and reported to Founder.

In a limited tender evaluation performed by a major customer of URG in October 2018 regarding year 2019-2021 service contract, URG lost the tender and failed to secure this service contract.

Since the Founder has made certain representation in relation to the major customer prior to the Associate's acquisition of URG, the loss of this major customer has triggered disagreement between the management of the Associate and Founder. As a result, the Accounting Service Provider did not allow the Chief Financial Officer of the Associate ("Associate's CFO") to access to the books and records of URG.

A legal letter dated 11 November 2018 was issued by the Associate to the manager of the Accounting Service Provider. As a result of the legal proceedings, the Associate's CFO regained controls of the accounting records of URG in the last quarter of 2018 and it was uncovered that certain accounting records of URG for the year ended 31 December 2018, were missing, whilst some transactions appeared to be conducted without proper approvals.

In January 2019, the management of the Associate filed a claim (the "Claim") with Hong Kong International Arbitration Centre against Founder for misrepresentation and alleged misrepresentation and breach of the share subscription agreements dated 4 July 2017 and 17 July 2017 that caused the Associate to suffer damage and loss. As at the date hereof, the Claim is still on going and yet to be concluded.

During the on-site audit work performed on URG by the auditor of the Associate's group (the "Component Auditor") in early March 2019, it was noted and was later confirmed by the Associate's CFO that certain accounting records of URG were incomplete and certain transactions of URG were entered without proper approvals and supporting documents.

The component auditor of the Associate was unable to obtain representation from management of Associate on the completeness and accuracy of the accounting records of the Associate. Accordingly, the Component Auditor did not express an opinion on the consolidated financial information of the Associate as at and for the year ended 31 December 2018 as they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The Company's auditor have issued a qualified opinion in respect to the result of the Associate shared by the Group for the year ended 31 December 2018, the carrying value of the investment in Associate as at 31 December 2018 as well as the carrying value and the impairment loss in respect of the loans to the Associate as at and for the year ended 31 December 2018. The Company's auditor explained that the reason for the qualification is that the management of the Associate was not able to provide a set of complete and accurate accounting records to the Company's auditor and the component auditor of the Associate.

The current management of the Associate has regained possession of URG's accounting records in the last quarter of 2018, since then, the current management of the Associate has been maintaining a complete and accurate set of the Associate has been maintaining a complete and accurate set of accounting records of URG. The Company's management and its directors are closely monitoring the record keeping and would review the management accounts of the Associate on a regular basis.

Furthermore, current management of the Associate is still seeking to rectify the issues

relating to the accounting records of URG for the year ended 31 December 2018 through various means, including but not limited to, carrying out reconciliation and confirmation with creditors, seeking additional supporting documents regarding certain transactions entered into during the year ended 31 December 2018, etc.

Should all these be addressed as planned, the Company's management expects the audit modification could be resolved.

Whilst the current management of the Associate has demonstrated its best endeavour to resolve and rectify the issue relating to the accounting records of URG for the year ended 31 December 2018, current management of the Associate understands that they might not be able obtain the necessary information and assistance from the Accounting Services Provider and other counterparties due to the Claim against the Founder.

Therefore, at the same time, the Company is also in the process of seeking an appropriate buyer to whom it can dispose its 41.45% equity interest in the Associate. Such decision would be dependent on a number of factors, including but not limited to, the outcome of the Claim against the Founder, valuation of the shares, etc.

In the event that current management of the Associate failed to resolve the issues relating the accounting records of URG for the year ended 31 December 2018 and the Company successfully disposed the equity interest in the Associate before 31 December 2019, management expects the audit modification could be confined to opening balance of the interest in the Associate as at 1 January 2019 and the related impact on the profit and loss for the year ending 31 December 2019. On such basis, the Company's management expects the audit modification on this matter could be resolved in the year ending 31 December 2020.

2) *Actual and potential impact of the audit qualification and the views of the management and audit committee of the Company*

As mentioned in the 2018 Annual Results Announcement, the Company's auditor was unable to satisfy themselves as to (i) the share of loss of HK\$26,065,000 for the Associate for the year ended 31 December 2018 in the consolidated income statement; (ii) the investment in the Associate is carried at nil balance on the consolidated balance sheet as at 31 December 2018 (iii) a full impairment loss for the loans to the Associate and accumulated interest receivable of HK\$5,445,000 was recognised in the consolidated income statement for the year ended 31 December 2018 and the loans to the Associate were carried at nil balances as at 31 December 2018.

To conclude the full impairment of the loans and accumulated interest receivable from the Associate as at 31 December 2018, the Group considered a number of objective evidences. As discussed in the Management Discussion and Analysis of the 2018 Annual Results Announcement, these objective factors including net liabilities of the Associate amounted HK\$17,240,000 as at 31 December 2018, failure to identify additional income sources to compensate for the revenue loss by URG in the coming years and redundancy plan initiated by the Associate, Company's management and directors concluded to make a full impairment loss of HK\$5,445,000 to write down the loans to the Associate and related interest receivable as at 31 December 2018.

Given the management of the Associate did not have access to, and therefore they were not able to provide to the Company and the Component Auditor, a set of complete and accurate accounting records, the management of the Associate was unable to provide representation on the completeness and accuracy of the accounting records of the Associate. In addition, given the scope limitation, the Company's auditor was unable to obtain sufficient appropriate audit evidence and there were no other satisfactory audit procedures could be performed by the Company's auditor to determine whether any adjustments were necessary in respect of the Group's share of loss of the Associate of HK\$26,065,000 and the impairment loss in respect of the loans to the Associate of HK\$5,445,000 for the year ended 31 December 2018, together with the investment in the Associate and loans to the Associate which were both carried at nil balances as at 31 December 2018. There was no disagreement between the view of the Company's management and the Company's auditor in these regards.

An audit committee meeting was held on 29 March 2019 between the audit committee of the Company, management of the Company and the Company's auditor to discuss, among other matters, the audit qualification including the reasons of making the full impairment of the loans and interest receivable from the Associate as well as the Company's future plan for its investment in the Associate. The audit committee of the Company has critically reviewed the facts and circumstances of management's conclusion on the full impairment of the loan and interest receivable from the Associate and was aware of the scope limitation of the Company's auditor which resulted in the audit qualification. The audit committee of the Company agreed with the management's judgement to make a full impairment of the loans and interest receivable from the Associate while the audit committee of the Company also agreed with the Company's auditor on the audit qualification.

In addition, the audit committee of the Company agrees with the management of the Company to advance two loans to the Associate subsequent the year end so as to provide sufficient funding to facilitate the Associate's operations including filing of the Claim.

By order of the Board
Carry Wealth Holdings Limited
Li Haifeng
Chairman and Chief Executive Officer

Hong Kong, 24 May 2019

As at the date hereof, the board of directors of the Company comprises Mr. Li Haifeng (Chairman and Chief Executive Officer) and Mr. Wang Ke (Vice President) being executive directors; and Mr. Yau Wing Yiu, Mr. Zhang Zhenyi and Ms. Zheng Xianzhi, being independent non-executive directors.