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SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the supplement announcement of Carry Wealth Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) dated 24 May 2019 in relation to the annual report for the year ended 31 December 2018 (the “Supplemental Announcement”), announcement of the Company dated 27 March 2020 in relation to the annual results of the Group for the year ended 31 December 2019 (the “2019 Annual Results Announcement”) and the annual report of the Group for the year ended 31 December 2019 (the “2019 Annual Report”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Supplemental Announcement, 2019 Annual Results Announcement and 2019 Annual Report.

Reference is made to the paragraph headed “Extract of Independent Auditors’ Report” of the 2019 Annual Results Announcement. The Board wishes to supplement the following:

1) Supplemental information to the audit qualification

Pursuant to the 2019 Annual Results Announcement and 2019 Annual Report, having learnt from the lawyers’ advice, the management and board of directors of the associate considered it was in the best interest to dispose URG, since the Founder does not have any known assets in Hong Kong, the Associate will have difficulty in enforcing the arbitral award against the Founder. Even if the Associate is able to locate the assets of the Founder in foreign jurisdictions, the Associate will have to incur further time and expenses to enforce the arbitral award in these foreign jurisdictions.

Regarding the Claim filed by the management of the Associate against the Founder as mentioned in the Supplemental Announcement, to avoid the expenses of continuing with the arbitration, the management of the Associate assessed and considered that it is in the best interest of the Associate to reach a settlement with the Founder by executing a Deed of Settlement on 13 August 2019 and to dispose URG accordingly.

As mentioned in the Supplemental Announcement, the Company tried to seek an appropriate buyer to whom it can dispose its 41.45% equity interest in the Associate. But the Associate earned no revenue during the year ended 31 December 2019 and with net liabilities of HK\$5.0 million also with no tangible or intangible assets as at 31 December 2019. As a result, the Company believes that it is unlikely to identify buyers to dispose its 41.45% equity interest in the Associate.

Regarding the disposal of URG, having considered that the fair value of URG was estimated to be of no value and with consolidated net liability position of the Associate before the disposal of URG, the Company considers it is fair and reasonable and in the best interest of the Associate's shareholders as a whole to dispose URG. After the completion of the disposal of URG, the Associate repaid the Group US\$447,000 (equivalent to approximately HK\$3.5 million) for the impaired loans receivables mainly from funding obtained from the disposal of URG.

2) *The views of the management and audit committee of the Company*

Pursuant to the 2019 Annual Results Announcement and 2019 Annual Report, the management of the Associate were still unable to recover the missing accounting records for the year ended 31 December 2018. The management of the Associate found that the Founder and his Finance Director had subsequently deleted significant amounts of electronic files from the accounting system. So there were incomplete accounting records of URG for 2018 annual statutory audit, and still cannot be recovered at the moment.

As disclosed in 2018 annual report and the Supplemental Announcement, the Company relied on the financial information provided by management of the Associate to account for the result of the Associate shared by the Company. For the year ended 31 December 2018, a number of objective evidences were considered by the Company for making a full impairment on the investment in the Associate and the loans to the Associate. During the year ended 31 December 2019, URG's incomplete accounting records had not been rectified and no business opportunities had been identified by the management of the Associate. So as at 1 January 2019, the brought forward carrying value of the investment in the Associate and the loans receivables still carry at nil balances as full impairment had been provided for since year ended 31 December 2018. The inaccuracy on opening balance as at 1 January 2019 would have impact carried-forward to the financial results of the Associate for the year ended 31 December 2019.

In September 2019, the Associate disposed its entire interest in URG with a consideration of US\$400,000 (equivalent to approximately HK\$3.1 million). Upon the completion of the disposal of URG, a gain on disposal of about US\$1.2 million (equivalent to approximately HK\$9.4 million) was recorded by the Associate. However, the Company had not recognized the sharing of the Associate's disposal gain, taking into consideration that US\$755,000 (equivalent to approximately HK\$5.9 million) of investment cost related to goodwill, which should have been impaired considering the business prospects and deteriorating financial position of the Associate. As result, the Company did not account for its share of result of the Associate. In October and December 2019, the Associate partially repaid its loan to the Group for US\$447,000 (equivalent to approximately HK\$3.5 million) out of the outstanding receivables of US\$703,000 (equivalent to approximately HK\$5.4 million). Consequently, the Company recorded a reversal of impairment loss for the amount received in the consolidated income statement for the year ended 31 December 2019.

The management of the Associate were still unable to recover the missing accounting records for the year ended 31 December 2018 and were unable to provide sufficient appropriate evidence in respect of the carrying value of the investment in and loans to the Associate as at 31 December 2018. Any adjustments to the opening balances of the investment in and loans to the associate as at 1 January 2019 would have a significant consequential effect on the share of result of HK\$Nil and reversal of impairment loss for loans to the Associate of HK\$3.5 million recognised for the year ended 31 December 2019. There were no other satisfactory audit procedures that the Company's auditor could perform to determine whether any adjustments were necessary in respect of the balances of the investment in and loans to the Associate as at 1 January 2019 (both of HK\$Nil) and the Company's share of result of the Associate and reversal of impairment loss for loans to the Associate and the related disclosures for the year ended 31 December 2019. As a result, the Company's auditor issued an audit modification on the Company's consolidated income statement and consolidated cash flow statement for the year ended 31 December 2019.

There was no disagreement between the view of the Company's management and the Company's auditor.

An audit committee meeting was held on 27 March 2020 between the Company's auditor, audit committee and the management of the Company to discuss, among other matters, the audit modification as well as the current circumstance of the Associate. The audit committee of the Company had critically reviewed the facts and circumstances of the conclusion of the Company's management and was aware of the scope limitation of the Company's auditor which resulted in the audit modification. The audit committee of the Company agreed with the management's judgement to make a reversal of the impairment loss of HK\$3.5 million for the amount received from the Associate for the year ended 31 December 2019.

The audit committee of the Company also agreed with the Company's auditor on the audit modification.

3) *The actions and proposed plan of the Company to remove the audit qualification*

As disclosed in the 2019 Annual Results Announcement and the 2019 Annual Report, the directors of the Associate had resolved to commence the process to deregister the Associate on 16 January 2020.

The Company was subsequently informed by the Associate that, as it was difficult to obtain all shareholders' approvals of the Associate, the management of the Associate will dissolve the Associate by a members' voluntary liquidation through a professional firm. The liquidation process will take around 6 months. The Company is closely monitoring the progress of members' voluntary liquidation of the Associate.

After closing down the Associate, the Company expected that there would be no qualified opinion to be given by the Company's auditor in relation to the investment in the Associate in the forthcoming financial year of 2020.

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

Hong Kong, 5 June 2020

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.