Wang Tai Holdings Limited
宏太控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1400)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Reference is made to the announcement (the "**Announcement**") of Wang Tai Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 29 March 2018 in relation to the annual results of the Group for the year ended 31 December 2017. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcement.

The Company would like to provide the following supplemental information:

DISCLAIMER OF OPINION

Details of the disclaimer of opinion issued by the Company's auditors ("**Auditors**") were set out on page 20 to 21 of the Announcement, which are reproduced below:

"**Basis for Disclaimer of Opinion**

1. Trade and other receivables

Included in trade and other receivables as at 31 December 2017 were trade receivables of approximately RMB92,471,000 which had been overdue with no settlement up to the date of this report. Furthermore, included in trade and other receivables as at 31 December 2016 were trade receivables and prepayments to suppliers of approximately RMB445,544,000 and RMB104,603,000, respectively, which had been long outstanding with no settlement up to the date of this report. Accordingly, impairment losses of trade receivables of approximately RMB445,544,000 and impairment losses of prepayments of approximately RMB104,603,000 were recognised for the year ended 31 December 2017.

In addition, impairment losses of trade receivables of approximately RMB129,888,000 and impairment losses of prepayments of approximately RMB54,887,000 were recognised for the year ended 31 December 2016. We have been unable to obtain sufficient and appropriate audit evidence to satisfy ourselves whether the aforesaid balances of trade receivables and prepayments were fairly stated as at 31 December 2017 and 31 December 2016 and whether the related impairment losses were properly recorded for the years ended 31 December 2017 and 2016.

2. ***Investment accounted for using equity method***

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of investment accounted for using equity method of approximately RMB71,506,000 and RMB86,856,000 as at 31 December 2017 and 2016, respectively; (ii) whether the share of loss of investment accounted for using equity method of approximately RMB15,350,000 and RMB3,144,000 were properly recorded for the years ended 31 December 2017 and 2016, respectively; (iii) whether the impairment for investment accounted for using equity method of RMB60,000,000 for the year ended 31 December 2016 was properly recorded; (iv) the recoverability of the amount due from an associate of approximately RMB7,290,000 as at 31 December 2017; and (v) the related disclosure of the investment accounted for using equity method disclosed in note 18 to the consolidated financial statements.

3. ***Deferred income tax***

We have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the recoverability of deferred income tax assets of approximately RMB31,351,000 as at 31 December 2016; and (ii) whether the income tax expense of approximately RMB31,351,000 and income tax credit of approximately RMB16,703,000 are properly recorded for the years ended 31 December 2017 and 2016, respectively. Any adjustments to the figures as described above might have a significant consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2017 and 2016 and the financial positions of the Group as at 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

4. ***Material uncertainty related to going concern***

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB732,765,000 for the year ended 31 December 2017, and as at 31 December 2017, the Group had net current liabilities and net liabilities of approximately RMB314,548,000 and RMB129,032,000, respectively. Furthermore, as at 31 December 2017, the Group's bank borrowings of approximately RMB195,991,000 were overdue and its bonds of approximately RMB186,563,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in note 24 to the consolidated financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon that the Group will be able to successfully renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from the failure to meet in full its financial obligations in the foreseeable future. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the uncertainty relating to the continued support of the Group's bankers and bondholders, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

POSITION AND JUDGEMENT OF THE MANAGEMENT AND THE AUDITORS

The Company would like to supplement the position and the judgement of the Group's management and the Auditors for the Disclaimer of Opinion as follows:

1. Assessments on impairment losses of trade receivables and prepayments

The Group's management has made assessment on those trade receivables which have long outstanding age for more than twelve months and from which the debtors have financial difficulties. Management has made adequate provision for such long outstanding trade receivables.

For prepayments made to the suppliers of the raw materials, the management has already made provision for the prepayments to the two suppliers for the year ended 31 December 2016 since no raw materials have been delivered to the Group and the Group did not receive repayments from these suppliers.

Management has provided the relevant information of those aged trade receivables and prepayments made to the suppliers of the raw materials to the Auditors. However, the auditors considered that they had not yet obtained sufficient and appropriate evidence in respect of this matter.

The Group has already liaised with those accounts receivable customers and more than 17.4% of those accounts receivable customers made commitment to make settlement by instalments and more than 11.4% of those accounts receivable customers are under negotiation to make settlement by instalments. The Group discussed with the remaining accounts receivable customers and repayment to suppliers of the raw materials to reach repayment schedules. The Group is actively demanding the accounts receivable customers and prepayment to suppliers of the raw materials to settle the outstanding receivables as soon as possible and agreed with certain accounts receivable customers to settle by installment. Once so far evidence to demonstrate such accounts receivable customers and prepayment to suppliers of raw materials not to settle the outstanding receivable or identify there will be recoverability problems, the Group was in progress to seek legal advice for the legal action to against the customers, including but not limited to issue legal letters to the customers for such settlement. The Group is also seeking legal advice for further action and considered to proceed legal proceeding to against the such customers.

2. Investment accounted for using equity method

The Group's investment in Baixin (China) Co., Ltd. ("**Baixin**") is accounted for using the equity method in accordance with Hong Kong Accounting Standards ("**HKAS**") 28. Based on the financial information of Baixin, the Group's management is of the view that the carrying amount of the investment should be recoverable. However, the Auditors considered that they had not yet obtained sufficient and appropriate evidence in respect of this matter.

As required under the Hong Kong Standards of Audit (the "**HKSA**"), the Auditors had communicated with the auditors of Baixin to obtain understanding if sufficient audit work had been performed by the auditors of Baixin. The Auditors were provided with the audit working papers of Baixin performed by the auditors of Baixin. However, the Auditors considered that the audit working papers did not reflect all the necessary audit procedures and findings and the documentation of the audit working papers were too simple and to certain extent lack of details in respect of the basis of testing performed, sample size and samples selected.

The Company has already coordinated and communicated with the management of Baixin and the management of Baixin agrees to provide all relevant accounting records of Baixin that will be sufficient to allow the Auditors to carry out the audit in the future.

3. Recoverability of deferred tax assets

The Board based on the following considerations for recognition of the deferred tax assets as at 31 December 2016:

(a) The Group would be able to recover the trade receivables and prepayments made to the suppliers by taking various actions to demand the customers for settlements and demand the suppliers to deliver the goods as soon as possible and/or demand for refund as soon as possible; and

(b) The Group could turn around to become profitable so that the deferred tax assets could be recovered.

The Auditors have not expressed qualified opinion/disclaimer on the recognition of deferred tax assets. After careful consideration on the recovery of deferred tax assets, the Company subsequently derecognised the deferred tax assets during the year ended 31 December 2017 because:

(a) the Group is still in the progress of demanding the repayments from customers and suppliers; and

(b) the Group's PRC subsidiaries still suffered loss during 2017.

4. Going concern assumptions

The Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on going concern basis, the validity of which depends upon that the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing to meet its liabilities as they fall due. In respect of the accounts receivable and prepayment to the suppliers of raw materials aged over one year, the Company is now working hard to adopt the policy to recover the receivables and the prepayment and believes there is possibility of recoverability. The Auditors could not form any opinion under the situations of losses for the year ended 31 December 2017, the net current liabilities and net liabilities as at 31 December 2017, the bank borrowings and bonds which were overdue without solid borrowers' written support. Therefore, they cast significant doubt on the Group's ability to continue as a going concern.

The Company has successfully negotiated with a number of key creditors and/or other similar creditors and a number of the financial institutions for the repayment schedules and mutually agreed with the majority of the creditors and financial institutions on feasible repayment schedules. The Company has already settled all the outstanding amount due to the local banks. The winding up petition was dismissed on 24 May 2018.

The Company had completed a placing on 29 June 2018 and successfully to obtain the fund raising of approximately HK$30.53 million. The Company also explores other methods for fund raising activities, including but not limited to issue of corporate bonds, proposed rights issue and other feasibility fund raising activities. The Company is in progress of negotiating with the underwriters on the proposed rights issue. After assessing the repayment schedules agreed with creditors and financial institutions and such feasible fund raising activities plan, the management is of the view that the Company has sufficient resources in order to meet the short term obligations.

The Company is also exploring many methods to improve the Group's operations and the profitability, included but not limited to development of sales of the products, establishment of the channels and promotion of the products trading activities.

Viewpoint of the audit committee

The audit committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2017, and considered the consolidated financial statements are prepared in accordance with International Financial Reporting Standards and agreed the management's judgemental areas, in particular the following aspects:

– Provision has been made for long outstanding trade receivables and prepayments;

– Reversals of deferred tax assets have been made;

– Investment in Baixin is accounted for using equity method;

– Adoption of going concern assumptions is appropriate.

The audit committee has hold discussions with the auditors and the auditors have explained the reasons of regarding the Disclaimer of Opinion.

The audit committee considered the management has already put the best efforts to assist the auditors to gather the sufficient audit evidence to carry out the audit.

Further announcement(s) will be made by the Company to keep its Shareholders and investors informed of any significant development in due course.

By Order of the Board
Wang Tai Holdings Limited
Li Jia Yin
Acting Chairlady and Executive Director

Hong Kong, 23 August 2018

As of the date of this announcement, the executive Directors are Ms. Li Jia Yin, Mr. Wu Jianxiong and Mr. Lin Qingxiong; and the independent non-executive Directors are Mr. Chan Sui Wa, Mr. Liu Shungang and Mr. Lin Yugang.