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Wang Tai Holdings Limited

宏太控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1400)

ANNOUNCEMENT IN RELATION TO THE ACCRUAL AND WRITE-OFF OF IMPAIRMENT PROVISION OF THE COMPANY'S ASSETS IN THE YEAR 2016

Wang Tai Holdings Limited (the "Company" and together with its subsidiaries, the "Group") and all members of the board (the "Board") of directors (the "Directors") of the Company warrant the truthfulness, accuracy and completeness of the contents of this announcement, and accept several and joint responsibilities for any false information, misleading statements or material omissions in this announcement.

On 31 March 2017, the Company convened the meeting of the Board which passed the resolutions in relation to the accrual and write-off of impairment provision of the Company's assets in the year 2016. In order to accurately reflect the Company's financial and operational situation in the year 2016, the Company would conduct a review on every asset, and conduct asset impairment test on assets which show any indication of impairment at the end of each year, according to the applicable International Financial Reporting Standards and the accounting policy of the Company. When the net realizable value of any asset is expected to be lower than its book value, asset impairment provision will be made upon recognition or measurement. At the same time, the recovered or irrecoverable assets will be reversed or written-off respectively. The accrued and written-off impairment provisions of each asset in the year 2016 were as follows after testing:

A. IMPAIRMENT OF TRADE RECEIVABLES

As at 31 December 2016, trade and bills receivables from sales of yarns and fabrics were approximately RMB327.5 million. The amount of provision was approximately

RMB129.9 million reflected in the consolidated statement of comprehensive income.

In accordance with the Company's provision policies for trade receivables from sales of fabrics and yarns of the Group, the Group generally grants credit terms of less than 90 days to its customers in Mainland China and 120 days to its customers in other countries.

The aging profile of the Group's trade receivables in relation to yarns and fabric sales had been much deteriorated since the Group commenced sales to overseas customers in the second half year of 2015. Given the significant overdue of receivables, the Group had reached respective balances amounting to approximately RMB232.9 million, and a provision of approximately RMB41.3 million was made against unrecoverable receivable amounts.

Regarding the remaining receivables balances of approximately RMB94.6 million, the Group set aside a provision of impairment totaling approximately RMB88.6 million based on ageing profile of the receivables.

B. IMPAIRMENT OF PREPAYMENTS

As at 31 December 2016, the Group made prepayments for purchase of raw materials amounting to approximately RMB207.3 million of which approximately RMB54.9 million was assessed to be unrecoverable and provision has been made and reflected in the consolidated statement of comprehensive income.

As at 31 December 2016, the Group had a balance of prepayments of approximately RMB91.6 million with a major supplier of cotton and yarns raw materials. In March 2017, the Group reached the purchase agreement with this supplier for a total commitment of approximately RMB56.0 million purchases for year 2017. A provision of approximately RMB35.9 million was made for the remaining balance as at 31 December 2016 given the financial difficulty of this supplier.

The Group also made a full provision of approximately RMB19.0 million for the unrecoverable prepayments to another supplier which also has been in financial difficulty and the Group has ceased purchases from it since April 2016.

C. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The carrying amount of certain items of the property, plant and equipment have been reduced to its recoverable amount through recognition of an impairment loss of approximately RMB15.5 million which was reflected in the consolidated statement of comprehensive income.

In view of the sluggish cotton yarn market, the Group decided to temporarily suspend its

cotton yarn production at the Fujian Shishi production plant until the market recovers. The carrying amounts of the machinery and equipment of the remaining cotton yarns production lines and the related auxiliary equipment have been reduced to their recoverable amounts through recognition of an impairment loss of approximately RMB15.5 million.

D. IMPAIRMENT FOR INVESTMENT IN AN ASSOCIATE

Based on the impairment testing of the recoverable amount of the investment in the associate, an impairment of approximately RMB60.0 million was recognized and reflected in the consolidated statement of comprehensive income.

On 18 July 2016, the Group entered into the agreement to acquire 50% equity interests in Baixin (China) Co., Ltd. which is principally engaged in the manufacture and local and export sales of cotton yarn and textile products, at a total consideration of approximately RMB150.0 million.

The associate incurred loss of approximately RMB6.3 million for the year ended 31 December 2016 and the demand for cotton fabric in the region decreased which was out of the expectation. In view of these impairment indicators, as at 31 December 2016, an impairment assessment of the investment in the associate was carried out.

In assessing the recoverability of investment in the associate, a discounted cash flows projection model was adopted to calculate the difference between the carrying amount and the recoverable amount of which the difference was recognized as an impairment of approximately RMB60.0 million.

The Board considers that the accrual and write-off of asset impairment provision was made in accordance with the accounting policy, accounting evaluation, policy and practical situation of the assets of the Company. These accrual and write-off of asset impairment provision sufficiently and fairly reflects the financial and operational situation of the Company.

By order of the Board
Wang Tai Holdings Limited
Lin Qingxiong
Chairman and Executive Director

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Lin Qingxiong, Mr. Qiu Zhiqiang, and Mr. Deng Qinghui; and three independent non-executive Directors, namely Mr. Chan Sui Wa, Mr. Ma Chongqi and Mr. Yu Yubin.