

WINTAAI HOLDINGS LTD.

110 Sheppard Ave. East
Suite 301 Box 18
Toronto ON, M2N 6Y8, Canada

FINANCIAL HIGHLIGHTS (JUNE 2020)

As of June 30, 2020, the GAAP book value of Stonetrust Commercial Insurance Company (“Stonetrust”) increased to \$110.0 million CAD from \$90.3 million CAD on March 31, 2020, a quarterly increase of 21.0%. In U.S. dollars, the Stonetrust book value increased from \$64.6 million USD to \$80.8 million USD, a quarterly increase of 25.1%. In June 2020, Stonetrust paid a dividend of \$3 million USD, which was reflected in the book value of Stonetrust at June 30, 2020. The difference in returns is because the Canadian dollar appreciated against the U.S. dollar during the quarter, negatively affecting the book value in CAD.

Similarly, the adjusted book value per share of Wintai Holdings Ltd. (“Wintai”) increased from \$15.70 on March 31, 2020 to \$20.60 on June 30, 2020. The book value per share was \$19.41 on December 31, 2019. For further details, please refer to the Wintai Q2 2020 quarterly financial statement and share price calculations included in the email. They were prepared by Wintai’s auditor Cooper & Company.

Key Quarterly Figures

	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	June 30, 2020	YTD % Change	Q2 % Change
Wintai Adjusted Book Value per Share	\$17.44	\$18.04	\$19.41	\$15.70	\$20.60	6.1%	31.2%
Stonetrust GAAP Book Value (CAD in Mils)	\$100.18	\$103.40	\$110.06	\$90.93	\$110.01	0.0%	21.0%
Stonetrust GAAP Book Value (USD in Mils)	\$76.55	\$78.08	\$84.74	\$64.62	\$80.83	-4.6%	25.1%

Fixed Income Instruments

In December 2019, Stonetrust had approximately \$35 million in short term treasury bills instead of stocks or bonds. In early 2020, a significant portion of that cash balance was deployed into the bonds of oil and gas companies, whose prices had been severely beaten down due to the oil price war between Russia and Saudi Arabia, as well as the COVID-19 pandemic. Many of those investments have worked out so far, with some of the bond prices up as much as over 90% since our purchase. Below is a table of all our purchases of the oil and gas companies and their prices as of June 30, 2020. Some of the bonds have been sold since then, when they were no longer undervalued.

Company	Maturity	Coupon	Par Value	Average Cost Base	Bond Price*	Percentage Change
Antero Resources Corp (SOLD)	2023-06-01	5.63%	\$ 4,000,000	\$43.25	\$67.38	55.8%
Continental Resources (SOLD)	2024-06-01	3.80%	\$ 2,000,000	\$50.50	\$96.50	91.1%
Athabasca Oil Corp	2022-02-24	9.88%	\$ 8,235,000	\$22.04	\$40.75	84.9%
Occidental Petroleum	2022-08-15	2.70%	\$ 500,000	\$75.50	\$93.10	23.3%
PDC Energy Inc	2025-12-01	6.25%	\$ 1,453,000	\$62.25	\$84.25	35.3%
PDC Energy Inc	2026-05-15	5.75%	\$ 4,323,000	\$62.28	\$91.00	46.1%
Range Resources	2025-05-15	4.88%	\$ 2,000,000	\$59.00	\$75.50	28.0%
Southwestern Energy	2026-04-01	7.50%	\$ 1,200,000	\$75.75	\$87.53	15.6%

*Note: Prices as of June 30, 2020, except the selling prices used for Antero Resources and Continental Resources bonds.

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Stonetrust's Financial and Operating Results – GAAP Basis

Some key highlights from the 2nd quarter are as follows (based on unaudited GAAP figures):

- The 2nd quarter 2020 combined ratio (calendar year) is 89.3%
- Net underwriting gain was \$1,173,763 compared to 2019's 2nd quarter gain of \$1,200,445
- Net investment gain was \$15,253,253 compared to 2019's 2nd quarter loss of \$12,872
- 2nd quarter net income was \$14,378,457 compared to 2019's 2nd quarter net income of \$2,630,569

All figures in \$USD

	Unaudited Second Quarter		Unaudited First Six Months	
	2020	2019	2020	2019
Gross premiums written	\$ 11,070,815	\$ 11,642,314	\$ 24,830,800	\$ 24,854,700
Net premiums written	\$ 10,498,777	\$ 11,084,707	\$ 23,692,455	\$ 23,736,828
Net premiums earned	\$ 10,976,984	\$ 10,954,570	\$ 21,895,636	\$ 21,995,104
Underwriting profit	\$ 1,173,763	\$ 1,200,445	\$ 2,016,984	\$ 1,504,989
Net investment income	1,923,498	1,698,306	2,722,817	2,546,671
Operating profit	3,097,261	2,898,751	4,739,801	4,051,660
Net gain (losses) on investments *	15,253,253	(12,872)	(9,393,121)	5,812,100
Interest expense & other	(155,865)	(53,436)	(275,477)	(90,910)
Pre-tax income	18,194,649	2,832,443	(4,928,797)	9,772,850
Income tax (expense) benefit	(3,816,192)	(201,874)	1,054,541	(1,642,665)
Net income	\$ 14,378,457	\$ 2,630,569	\$ (3,874,256)	\$ 8,130,185
Underwriting profit:				
Loss & LAE - accident year	61.0%	64.4%	62.5%	63.9%
Underwriting expenses	41.3%	37.0%	39.9%	37.1%
Combined ratio - accident year	102.3%	101.4%	102.4%	101.0%
Net (favorable) adverse reserve development	-13.0%	-12.3%	-11.7%	-7.8%
Combined ratio - calendar year	89.3%	89.0%	90.8%	93.2%

Ending Stockholders' Equity	\$ 80,827,677	\$ 76,552,587
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*Note: Net gain (losses) on investments also includes changes in unrealized gains and losses on securities.

A.M. Best Ratings Evaluation

On April 30, 2020, A.M. Best affirmed Stonetrust's Financial Strength Rating (FSR) of B ++ (Good) and its Credit Rating Outlook of Stable. In this year's evaluation, Stonetrust's balance sheet strength assessment was improved from strong to very strong, which is the strongest level of risk-adjusted capitalization measured by Best's Capital Adequacy Ratio (BCAR). A.M. Best also highlighted Stonetrust's favorable loss reserving trends, its underwriting discipline, its loss control initiatives, and its cash flow adequacy as primary contributors to the improvement in the balance sheet strength. A.M. Best also approved Stonetrust's new preferred pricing tier company, Stonetrust Premier Casualty Insurance Company with an initial FSR rating of B ++ (Good) and a Credit Rating Outlook of Stable. Stonetrust President/CEO Michael Dileo

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commented, “Overall, we’re very pleased with this year’s evaluation from A.M. Best. We enjoyed our most successful year in 2019 and we’re on track to achieve another great result in 2020. Fortunately, we’ve performed well through the 2nd quarter and have not been greatly impacted by COVID-19 challenges. Our expectation is that we will continue on this path and achieve a strong finish this year as we plan for 2021.”

Purchase Price Adjustment

As part of the Stock Purchase Agreement dated September 29, 2017, we had two contingent payments that were subject to adverse development on claims 2017 and earlier: 1) a \$2 million payment due on January 1, 2021, and 2) the final \$9.4 million due on January 1, 2022.

The seller proposed to give a \$2 million discount on the \$11.4 million owing if the amount was fully paid by July 1, 2020. This represents the final payment with no further adjustments. We agreed to the terms of the deal.

The \$9.4 million was funded by a combination of:

- 1) Cash raised at Wintaai through three rounds of financing;
- 2) Wintaai invested approximately \$2.2 million in equities and fixed income securities in April 2020. That \$2.2 million rose to approximately \$2.8 million and some of the securities were sold to fund the payment; and
- 3) A one-time dividend of approximately \$3 million to Wintaai from Stonetrust in June 2020.