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

November 30, 2019

Third Quarter 2019 Update

Dear Shareholders,

Sometime in December 2018, I asked Mike Dileo, CEO of Stonetrust Commercial Insurance Company (Stonetrust), to see whether management, employees and directors of Stonetrust would be interested in buying shares of Stonetrust at book value. I am happy to announce that management, employees and directors did indeed participate in buying shares of Stonetrust. This showed that they believed in their own company as they purchased shares with their own money. It was not given to them as a freebie.

In June, we raised over $9.1 million CAD in Wintaai Holdings Ltd. (Wintaai) from Canadian investors. At the time, we were unable to take investments from American and non-Canadian investors back due to uncertainties relating to Wintaai's potential tax status as a Passive Foreign Investment Company (PFIC). Fortunately, in July the Internal Revenue Service (IRS) issued Proposed Regulation Section 1.1.297-5 that clarified the PFIC issue. Our lawyers have advised that under the new proposed regulations, Wintaai is currently not classified as a PFIC investment for U.S. taxpayers. We are happy to announce the closing of the second round of financing via private placement from U.S. and non-Canadian investors as of November 2nd, 2019. The company issued 172,028 additional common shares for a total of about $3.3 million CAD raised. In total, we have raised $12.4 million without going through an investment banker. If we had hired investment bankers, they would have charged 7% of the proceeds in investment banking fees (approximately $868,000 CAD). These fees were all saved for the benefit of the shareholders.

Under the private issuer exemption, we can have 50 shareholders. So, after two rounds of financing we have roughly 40 shareholders. We are going to do a third round of financing so that we can have closer to 50 shareholders. All current shareholders are welcomed to participate. The terms are the same as before: the purchase price is equivalent to a 10% premium of Wintaai's adjusted book value as of September 30, 2019. The proceeds will be used for working capital purposes, reduction of debt owed to the seller, and potential acquisitions.

There is a conditional payment of $2 million USD due on January 1st, 2020 to the seller, contingent on adverse development of reserves. Since we have not found any inadequacy in the reserves upon examination, the agreed amount will be paid in full before the due date.

Financial Updates

Key Quarterly Figures

	Dec. 31, 2018	March 31, 2019	June 30, 2019	Sept. 30, 2019	YTD % Change	Q3 % Change
Wintaai Adjusted Book Value per Share	$14.98	$16.77	$17.44	$18.04	20.4%	3.4%
Stonetrust Book Value (*CAD in Millions*)	$90.2	$97.8	$100.2	$103.4	14.6%	3.2%
Stonetrust Book Value (*USD in Millions*)	$66.1	$73.3	$76.6	$78.1	18.1%	2.0%

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Over the last quarter from June 30, 2019, the adjusted book value per share[1] of Wintaai increased from \$17.44 on June 30, 2019 to \$18.04 on September 30, 2019, an increase of 3.4% (*see Wintaai Q3 2019 financial statement and share price calculations in the attached below*). Similarly, the Stonetrust book value also increased 3.2% from \$100.2 million CAD on June 30, 2019 to \$103.4 million CAD on September 30, 2019. In U.S. dollars, the Stonetrust book value increased from \$76.6 million USD to \$78.1 million USD, an increase of 2.0% in Q3. The difference in returns is because the Canadian dollar depreciated against the U.S. dollar, which positively affected the book value in Canadian dollars during the period.

A Word of Caution

Despite the positive financial performance, we understand insurance is a tough business in a highly regulated industry. The economics of most insurance companies will result in sub-par returns for investors. There is a silver lining though – we need to do two key things right to get a decent return on shareholders' equity.

1) Management must be completely disciplined in not chasing business. It is paramount that underwriting discipline be maintained. In other words, the combined ratio should not exceed 100%.

2) Equally important, on the investment side, we must be disciplined in not overpaying for businesses. In the case of Stonetrust, the investable assets to book value ratio is just over 2 to 1. If we can make a 5% return on investable assets, the return on book value would be over 10% pre-tax, a fairly reasonable return, provided the combined ratio is 100% or less. This is what we are counting on to get an adequate return for Wintaai.

Reflection on Investments

We have been investing for well over 30 years, and our history has shown that we tend to undervalue good companies. When our assessment showed that a potential investment was worth 100 cents, it was more accurately close to 150 cents, thus causing us to miss most of these opportunities. These "omissions", though they are unseen mistakes are nevertheless as real as mistakes of commission. Going forward, our preference would be to invest in good operating companies where the returns from an investment come from the increase in the intrinsic value of the company and the closing of the gap between the discounted purchase price and the full intrinsic value.

On the insurance front, we want to congratulate Mike Dileo and his team for doing a great job operationally at Stonetrust, despite some serious head winds and tough markets. Below, I've included an update from Mike himself.

Sincerely,

Francis Chou

Francis Chou
Chief Executive Officer
Wintaai Holdings Ltd.

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[1] Adjusted for change in Stonetrust's net asset or book value.

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Letter from the CEO of Stonetrust

As we conclude the 3rd quarter, I'm pleased to report that Stonetrust is exceeding many of its operational targets and achieving another profitable year in 2019. Although pricing continues to be extremely competitive, we are maintaining strong underwriting discipline and expect results to improve even more by the end of the year.

Some key highlights are as follows (*see Q3 2019 GAAP financial statements of Stonetrust attached below, all currencies in USD*):

- Net underwriting gain YTD is $3,894,482 as compared to $446,006 at this point last year
- Net investment gain YTD is $2,905,832 as compared to $6,138,403 at this point last year
- Net earned premium of $33,176,935 is down 6% as compared to 3rd quarter last year
- Overall net income is $5,123,727 as compared to $6,144,869 last year through the 3rd quarter
- Surplus finished at $77,886,011 as compared to $68,275,675 at the end of last year

Overall, the year is trending very nicely relative to profitability and surplus and I expect that we will end the year on a strong note with regard to both of these measures. Written and earned premium are below plan, but we have seen some improvement in new business premium in the last two months. Claims overall for the year are trending very favorably.

Please note that this quarter's results are skewed somewhat by the large assessment reimbursement that we received from Oklahoma for their Multiple Injury Trust Fund assessment overage. Earlier this year, an Oklahoma State Supreme Court ruling repealed an order by the Oklahoma Tax Commission that prohibited insurers from filing for rebates of annual assessments paid to the Multiple Injury Trust Fund. With the Supreme Court ruling, we received a rebate in the amount of $2,350,000 for assessments paid the last few years to the Multiple Injury Trust Fund. This one time "catch up" reimbursement was included in the 3rd quarter statement, but additional reimbursements are not expected for the remainder of the year. Future assessment rebates for payments made to this Fund will be requested annually moving forward but are not anticipated to be as large as the rebate received this year. As a result, this reimbursement temporarily lowered the combined ratio from 95.4% to 88.3% and also increased the reported expense ratio for the quarter. If things continue on the current trend, we estimate the combined ratio at the end of the year to be in the 92% - 93% range.

Sincerely,

Michael G. Dileo

Michael G. Dileo, CPCU
President and Chief Executive Officer
Stonetrust Commercial Insurance Company