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

2020 WINTAAI HOLDINGS ANNUAL LETTER TO SHAREHOLDERS

To the Shareholders of Wintaai Holdings Ltd:

In spite of the COVID-19 pandemic in 2020, Stonetrust Commercial Insurance Company ("Stonetrust") and Wintaai Holdings Ltd. ("Wintaai") had an excellent year. In fact, we were fortunate to be able to take advantage of the situation, as the market experienced volatile market disruptions during the period. We expect to come out stronger than ever financially after the pandemic, and position the company for future growth and a rating increase by AM Best this year.

During the fiscal year 2020, the GAAP book value of Stonetrust increased from $110.06 million CAD on December 31, 2019 to $129.03 million CAD, an annual increase of 17.2%. In U.S. dollars, the Stonetrust book value increased from $84.74 million USD to $101.34 million USD, an annual increase of 19.6%. 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 Wintaai increased from $19.41 CAD on December 31, 2019 to $24.20 CAD on December 31, 2020, an annual increase of 24.7%. In U.S. dollars, it increased from $14.94 USD on December 31, 2019 to $19.01 USD as of December 31, 2020, an annual increase of 27.2%. Compared to the Stonetrust returns, the Wintaai returns are higher because it accounted for the $3 million USD dividend received from Stonetrust in Q2 2020.

For further details, please refer to the Wintaai 2020 annual financial statement and adjusted book value calculations included in the email. The financials were audited by Wintaai's new auditor McGovern Hurley LLP. Please refer to Appendix below for the quarterly numbers. For clarification, all dollar amounts in the letter are listed in USD unless specified otherwise.

Key Annual Financial Figures

	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	YoY % Change	Q4 % Change
Wintaai Adjusted Book Value per Share (CAD)	$14.98	$19.41	$24.20	24.7%	10.2%
Wintaai Adjusted Book Value per Share (USD)	$10.98	$14.94	$19.01	27.2%	15.3%
Stonetrust GAAP Book Value (*CAD in Mils*)	$90.23	$110.06	$129.03	17.2%	10.0%
Stonetrust GAAP Book Value (*USD in Mils*)	$66.14	$84.74	$101.34	19.6%	15.1%

Stonetrust's Financial and Operating Results – GAAP Basis

Stonetrust had a terrific year, much thanks to CEO Mike Dileo and his team for running a great insurance business. Since we bought the company three years ago, we have been blessed with great operating results. Normally when you buy a company, you would expect to find some "cockroaches" in the offices, but all the surprises have been good ones.

The consolidated results of the Stonetrust companies (Stonetrust Commercial Insurance Company and its wholly owned subsidiary, Stonetrust Premier Casualty Insurance Company) for the three-month and twelve-month periods ending December 31, 2020 and 2019 on a GAAP basis are as follows:

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All figures in $USD

	Unaudited Fourth Quarter		Audited Twelve Months	
	2020	**2019**	**2020**	**2019**
Gross premiums written	$ 8,674,280	$ 10,057,825	$ 44,852,045	$ 45,882,764
Net premiums written	$ 7,712,490	$ 8,906,988	$ 42,632,917	$ 43,654,110
Net premiums earned	$ 10,130,862	$ 10,576,146	$ 42,732,998	$ 43,753,081
Underwriting profit	$ 1,401,511	$ 517,961	$ 5,806,689	$ 4,544,368
Net investment income	1,475,038	731,941	5,732,196	4,173,499
Operating income	2,876,549	1,249,902	11,538,885	8,717,867
Net gain (losses) on investments (1)	12,684,163	5,286,129	8,377,624	10,622,932
Interest expense, bad debt expense & other income	848,318	(68,908)	500,046	(269,688)
Pre-tax income	16,409,030	6,467,123	20,416,555	19,071,111
Income tax (expense) benefit	(3,319,340)	(1,579,917)	(4,137,088)	(3,841,498)
Net income	$ 13,089,690	$ 4,887,206	$ 16,279,467	$ 15,229,613
Underwriting profit:				
Loss & LAE - accident year	58.6%	56.7%	60.4%	62.3%
Underwriting expenses	49.7%	45.9%	42.5%	35.4%
Combined ratio - accident year (2)	**108.3%**	**102.6%**	**102.9%**	**97.7%**
Net (favorable) adverse reserve development	-22.2%	-7.5%	-16.5%	-8.1%
Combined ratio - calendar year (2)	**86.2%**	**95.1%**	**86.4%**	**89.6%**
Ending Stockholders' Equity			**$101,342,270**	**$84,740,579**

(1) Net gains (losses) on investments includes realized gains (losses) on disposals and changes in the unrealized gains (losses) recognized on equity investments.

(2) The combined ratio is the traditional performance measure of underwriting results for property and casualty companies and is calculated by the company as the sum of the loss ratio (claims losses and loss adjustment expenses expressed as a percentage of net premiums earned) and the expense ratio (commissions, premium acquisition costs and other underwriting expenses expressed as a percentage of net premiums earned). The accident year loss ratio excludes the net favorable or adverse development of reserves established for claims that occurred in previous accident years. The calendar year loss ratio includes the accident year's loss ratio and the net favorable or adverse development of reserves established for claims that occurred in previous accident years.

The calendar year combined ratios for the quarters ending December 31, 2020 and 2019 were 86.2% and 95.1%, respectively, while the calendar year combined ratios for the years ending December 31, 2020 and 2019 were 86.4% and 89.6%, respectively. Net favorable loss development has been recognized in each of the aforementioned periods ranging from 7.5% to 22.2% of net earned premium for the respective periods.

The accident year combined ratios for the quarters ending December 31, 2020 and 2019 were 108.3% and 102.6%, respectively, while the accident year combined ratios for the years ending December 31, 2020 and 2019 were 102.9% and 97.7%, respectively. During 2019, Stonetrust received refunds totaling approximately $2.35 million from the Oklahoma Multiple Injury Trust Fund (MITF) for rebates of assessments paid in calendar years 2015 through 2018 which were originally filed for and erroneously denied by the MITF. Receipt of these funds reduced the expense ratio and corresponding calendar and accident year combined ratios by 5.4% for the year ending December 31, 2019.

Underwriting profit of $1,401,511 in the fourth quarter of 2020 increased from $517,961 in the fourth quarter of 2019, while net income of $13,089,690 in the fourth quarter of 2020 increased from $4,887,206 in the fourth quarter of 2019. These increases were principally a result of an increase in net gains recognized on investment securities of approximately $7.4 million.

Underwriting profit of $5,806,689 for the year ending December 31, 2020 increased from $4,544,368 for the year ending December 31, 2019, while net income of $16,279,467 for the year ending December 31, 2020 increased from $15,229,613 for the year ending December 31, 2019. The increases were principally as a result of an increase in favorable development of prior accident years' loss and loss adjustment expense reserves.

Net premiums written and earned for the year ending December 31, 2020 as compared to the year ending December 31, 2019 decreased approximately 2.3%, primarily as a result of decreases in rates charged and a continued increase in competition.

Net investment income increased approximately 101% from $731,941 to $1,475,038 in the fourth quarter of 2020 as compared to the fourth quarter of 2019. Additionally, net investment income increased approximately 37% from $4,173,499 to $5,732,196 for the year ending December 31, 2020 as compared to the year ending December 31, 2019. These increases were principally due to an increase in the allocation of investable funds to higher yielding fixed income instruments.

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 undervalued bonds, most of which were oil and gas companies. Below is a table of all our purchases and their prices as of December 31, 2020. Some of the bonds have been sold during the year when they were no longer undervalued.

Company	Maturity	Coupon	Par Value	Average Cost Base	Bond Price*	Percentage Change
Antero Resources Corp (SOLD)	01/06/2023	5.63%	$ 4,000,000	$ 43.25	$ 67.38	55.8%
Continental Resources (SOLD)	01/06/2024	3.80%	2,000,000	50.50	96.50	91.1%
Occidental Petroleum (SOLD)	15/08/2022	2.70%	457,000	75.50	101.25	34.1%
Athabasca Oil Corp	24/02/2022	9.88%	8,235,000	22.04	37.00	67.9%
SRC Energy (formerly PDC Energy) (1)	01/12/2025	6.25%	1,453,000	62.75	98.75	57.4%
PDC Energy (2)	15/05/2026	5.75%	2,323,000	62.25	103.25	65.9%
Range Resources	15/05/2026	4.88%	2,000,000	59.00	94.46	60.1%
Southwestern Energy	01/04/2026	7.50%	1,200,000	75.75	104.90	38.5%
General Electric	29/12/2049	5.00%	3,500,000	69.60	93.03	33.7%

**Note: USD as of Dec. 31, 2020. For Antero Resources, Continental Resources bonds, it is their latest selling price. Occidental Petroleum bonds were sold as part of tender offers.*

(1) Originally purchased a total of $10,493,000 par value of the SRC Energy 6.25% bond, $9,040,000 of which were sold at $84.25 cents on the dollar in June 2020.

(2) Originally purchased a total of $4,323,000 par value of the PDC Energy 5.75% bond, $2,000,000 of which were sold at $101.875 cents on the dollar in August 2020.

Equity Securities

We were also able to buy some severely depressed equity securities during the COVID-19 pandemic. Below is a list of most of the equities that we had as of December 31, 2020.

Equity Holdings	Shares	Average Cost Base	Market Value
Lumen Technologies	925,000	$ 9,279,183	$ 9,018,750
Fiat Chrysler Automobiles	426,388	3,464,884	7,713,359
Exor N.V.	90,021	4,000,022	7,415,480
Alphabet Inc., Class C	3,832	1,999,885	6,713,204
Apple Inc.	44,000	1,862,693	5,838,360
Resolute Forest Products	685,000	2,179,236	4,479,900
Pool Corporation	10,636	1,253,830	3,961,910
Berkshire Hathaway, Class A	8	2,035,564	2,782,520
Allegiant Travel	14,000	996,475	2,649,360
Lear Corporation	14,000	995,070	2,226,420
Moody's Investors Service	5,899	583,551	1,712,126
Credit Acceptance Corporation	2,262	444,924	782,969
Bausch Health Companies	20,000	456,778	416,000
Assured Guaranty	5,000	133,507	157,450
		$ 29,685,602	**$ 55,867,808**

In addition to the equity holdings, we also started buying call options during 2020:

Company	Strike Price	Maturity	Contracts (in hundreds)	Average Cost Base	Market Value
Assured Guaranty	$14.0	Apr-21	650	$ 488,805	$ 1,020,500
Bausch Health Companies	$10.0	Jan-22	700	518,574	752,500
Bank of America	$20.0	Jan-22	500	357,505	535,000
Wells Fargo	$17.5	Jan-22	500	407,405	657,000
				$ 1,772,289	**$ 2,965,000**

Purchase Price Adjustment

As part of the Stock Purchase Agreement with the seller of Stonetrust 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) An one-time dividend of approximately $3 million to Wintaai from Stonetrust in June 2020.

We had some left-over money at Wintaai after we paid off the seller. We purchased three securities and the table shows the average cost price vs. the market price as at December 31, 2020.

Company	Strike Price	Maturity	Shares/ Contracts	Cost Basis	Market Value
Allegiant Travel Company	NA	NA	840	$ 54,154	$ 158,962
Synchrony Financial	NA	NA	22,500	297,637	780,975
Bausch Health Companies (Call)	$10.0	Jan-22	33	21,620	35,475
				$ 373,411	**$ 975,412**

Wintaai saved $370,000 in income taxes on debt forgiveness

My tax accountant called me and said that we could save Wintaai approximately $370,000 CAD in income taxes, if we could use some of the tax losses at the parent company Chou Associates Management Inc. ("CAM"). Although CAM owns only 72.1% of Wintaai, the benefit also accrues to the minority shareholders of Wintaai. I said yes to the proposal without any hesitation. It also comes with the understanding that no consideration will be paid to CAM for this transfer of tax loss now or in the future.

What do we do with the excess capital at Stonetrust?

We have a nice problem at Stonetrust. As of this writing date, we estimate that the GAAP book value (capital) of Stonetrust is approximately $110 million. In 2020, its net earned premium was about $45 million. We think a reasonable ratio of capital to net earned premium is 1:1. If we use that ratio then we have an excess capital of $65 million.

What is the best way to deploy that capital? There are three options:

1) The best option is to grow internally. If the insurance market hardens and we are able to double net earned premium to $90 million in steady state over a three-year period, then the investable assets would jump to about $300 million versus the current amount of about $200 million. The capital outlay in terms of the extra staff and facilities needed to service the new earned premium is approximately $9 million. If we assume that the purchase price of acquiring an insurance company is one times book value, then the acquisition cost is less than 20 cents on a dollar.

2) The second best option is purchasing an insurance company that is disciplined in its underwriting approach, just like we have at Stonetrust. The minimum price is one times book value, which I think is on the low side. In this case, you are paying 100 cents on a dollar.

3) If the first and second approaches are not doable, then we buy marketable securities of companies that are undervalued. The majority of the purchases will be directed towards companies that have solid long-term economics, earned its income in cash, and are run by highly competent managers. Occasionally, we may buy companies that are in distressed situations, but they have to be extremely

cheap, plus there is a decent chance of a restructuring or an outright sale of the company. As much as possible we should avoid such companies for a variety of reasons. Although on the surface they may look cheap, but in reality they are not worth a lot. That is why they are called "CRAP" companies – Cannot Realize A Profit. If they cannot realize a profit, technically they are worth zero unless they have assets that are readily saleable like real estate assets and patents.

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.

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

Sincerely,

Francis Chou

Francis Chou
Chief Executive Officer
Wintaai Holdings Ltd.

March 31, 2021

APPENDIX

Date	Wintaai Holdings Adjusted Book Value per Share (CAD)	Wintaai Holdings Adjusted Book Value per Share (USD)
Dec. 31, 2018	$14.98	$10.98
Mar. 31, 2019	$16.77	$12.56
Jun. 30, 2019	$17.44	$13.33
Sep. 30, 2019	$18.04	$13.62
Dec. 31, 2019	$19.41	$14.94
Mar. 31, 2020	$15.70	$11.16
Jun. 30, 2020	$20.60	$15.13
Sep. 30, 2020	$21.96	$16.48
Dec. 31, 2020	**$24.20**	**$19.01**

Annual Letter to Wintaai Shareholders from Stonetrust President Michael G. Dileo

March 30, 2021

I am pleased to report that 2020 exceeded our expectations for overall profitability despite the additional challenges presented by the pandemic. In fact, our 2020 results for both underwriting and investment income surpassed last year's results, which makes 2020 the most profitable year in Stonetrust's 28-year history.

We continue to make great progress toward our goal of being evaluated as an "A" rated company by A. M. Best. We had a very successful meeting with A. M. Best in February this year and we anticipate receiving a very positive evaluation in late April or early May. Our markets continue to be very price competitive with most carriers reporting continued profitability in their workers' compensation lines of business. Achieving the A rating will significantly improve our competitive profile and increase our opportunities to write and retain quality accounts. We believe our results are equivalent or stronger than many A rated companies and we are optimistic that we will receive strong consideration for rating improvement again this year.

At year-end 2020, our gross written premium was $44.9 million with coverage offered in eight states to just under 4,500 policyholders. Last year we exceeded our new business goal of $10 million by writing $10.5 million in new business premium. Our underwriting combined ratio was 86.4% with overall net income of $16.3 million and ending surplus of $101.3 million. This represented a total increase in surplus from last year of almost $17 million. We also finished the year with underwriting profitability at $5.8 million and net investment income of $5.7 million. Total net admitted assets for the company at year-end calculated on a GAAP basis was $222 million. Overall, our financial results in 2020 were very strong and far exceeded our plan.

Regarding the impact of COVID-19, we were very fortunate and worked diligently to manage and mitigate any potential claims exposure. One year post pandemic, we have only received a small number of claims and have recorded a total net incurred for these claims of less than $200K. This is partly because we are not significantly exposed in our book of business to COVID-19 impacted business classes such as hospitality and healthcare. We also implemented a dedicated COVID-19 claims triage process and developed an effective communications plan to assist and educate our agents and policyholders about the coverage requirements for these claims. Based on what we have experienced so far, it does not appear that we will be severely impacted by an increase in claims. However, we will continue to monitor potential legislation in states that could allow for an increased presumption of coverage. We will also maintain an aggressive management posture to mitigate any potential for increased claims exposure.

In addition to the improvement that we achieved in our overall capital structure in 2020, we also continued to make significant improvements in critical operational areas. Our consistent underwriting results and the gains that we have made in investment income have accelerated our surplus growth and our growth in total assets. This allows for an increased capacity to write business and provides additional support for our plans to continue expanding into new states. Although our original expansion plan has been delayed, we still have a goal of entering six new states in the next three years. We are planning to enter Alabama and Kansas this year, Iowa and Georgia next year, and then South Dakota and Kentucky in 2023. We will complete a comprehensive upgrade of our policy administration and claims systems this year. We will also launch our new preferred pricing tier company, Stonetrust Premier, which will expand our pricing flexibility and significantly enhance our ability to compete with other carriers.

I am pleased to report that the company continues to perform well and has achieved exceptional results in a challenging market environment. We have made tremendous strides in a relatively short timeframe and have established a strong foundation to support our plans for expanding the Stonetrust brand and our regional footprint. We continue to benefit greatly from the stewardship, partnership, and ownership of Francis Chou and Chou Investments. The relationship has flourished and the gains that have been achieved in the last three years are the direct result of a shared vision of profitability and franchise growth. Although we are extremely pleased with the results achieved in 2020, we are more excited about the opportunities and the success that we anticipate for the future.

Thank you.

Sincerely,

Michael G. Dileo

Michael G. Dileo, CPCU
President and Chief Executive Officer