

WINTAAI HOLDINGS LTD.

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

2023 WINTAAI HOLDINGS ANNUAL LETTER TO SHAREHOLDERS

March 31, 2024

To the Shareholders of Wintai Holdings Ltd:

During the fiscal year 2023, Stonetrust paid a dividend of \$10.04 million in USD (or \$13.59 million CAD), of which Wintai America received \$10 million in USD. In U.S. dollars, Stonetrust's book value increased 20.6% after adjusting for dividends.

The adjusted book value per share of Wintai Holdings Ltd. ("Wintai") increased from \$33.92 on Dec 31st, 2022 to \$39.81 CAD on December 31st, 2023, an annual increase of 17.4%. In US dollars, it increased from \$25.04 USD on Dec 31st, 2022 to \$30.10 USD on December 31st, 2023, an annual increase of 20.2%. For further details, please refer to the Wintai 2023 annual financial statement and share price calculations prepared by Wintai's auditor McGovern Hurley.

Key Quarterly Figures

	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023	YTD % Change	Q4 % Change
Wintai Adjusted Book Value per Share (CAD)	\$14.98	\$19.41	\$24.20	\$33.50	\$33.92	\$39.81	17.4%	6.0%
Wintai Adjusted Book Value per Share (USD)	\$10.98	\$14.94	\$19.01	\$26.42	\$25.04	\$30.10	20.2%	8.3%

Stonetrust Fixed Income Instruments

Below is a table highlighting the major investments in fixed income securities as of December 31st, 2023. All numbers are in USD.

Company	Maturity	Coupon	Par Value	Cost Base	Market Value	Unrealized gains/(losses)
MBIA Global Funding LLC	2031-12-15	0.00%	19,680,000	7,779,542	8,265,600	486,058
Cleco Corporate Holdings LLC	2026-05-01	3.74%	5,000,000	4,726,000	4,824,950	98,950
Lamar Media Corp	2028-02-15	3.75%	4,925,000	4,932,958	4,628,860	(304,098)
Federal Home Loan Mortgage Group	2025-08-22	5.13%	4,000,000	4,000,005	3,984,880	(15,125)
Entergy Corporation	2026-09-01	2.95%	3,540,000	3,462,408	3,362,398	(100,010)
Lumen Technologies Inc	2027-02-15	4.00%	3,300,000	2,382,385	2,129,721	(252,664)
Lamar Media Corp	2031-01-15	3.63%	2,000,000	2,000,005	1,777,000	(223,005)
World Acceptance Corp	2026-11-01	7.00%	1,600,000	1,274,005	1,452,000	177,995
Eagle Point Credit Company Inc	2029-01-31	5.38%	61,427	1,474,332	1,373,655	(100,677)

With the exceptions of MBIA Global Fund, Federal Home Loan Mortgage Group, and World Acceptance Corp, the remaining fixed-income securities are domiciled in Louisiana. We need a certain percentage of investable assets invested in Louisianan securities to qualify for the premium tax credits.

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Stonetrust Equity Securities

Below is a table highlighting the major investments in equity securities as of December 31st, 2023. All numbers are in USD.

Equity Holdings	Shares	Cost Base	Market Value	Unrealized gains/(losses)
Berkshire Hathaway Inc	25	\$ 7,901,245	\$ 13,565,626	\$ 5,664,381
Alphabet Inc	76,640	1,999,885	10,800,875	8,800,991
Stellantis	426,388	3,464,884	9,943,368	6,478,484
Exor N V	90,021	4,000,022	9,028,206	5,028,184
Apple Inc	44,000	1,862,693	8,471,320	6,608,627
Pool Corp	10,636	1,253,830	4,240,680	2,986,849
Synchrony Financial	62,000	2,016,798	2,367,780	350,982
Moody's	5,899	583,551	2,303,913	1,720,362
EXCO Resources Inc	133,377	1,597,954	2,248,069	650,116
Navient Corp	107,950	2,002,576	2,010,029	7,453
Wells Fargo	40,000	1,027,529	1,968,800	941,271
MBIA Inc*	321,000	0	1,964,520	1,964,520
Ally Financial	49,839	1,196,085	1,740,378	544,293
Bank of America	50,000	1,359,510	1,683,500	323,990

*Note: MBIA Inc paid a dividend of USD\$8 per share in December 2023. Our cost price was US\$6.32 per share. Stonetrust took \$6.32 per share as a return of capital and, thus, the cost base is zero.

In addition, we had no naked call option position as of December 31st, 2023.

Wintaai Holdings Securities

At Wintaai, we held Synchrony Financial as of December 31st, 2023. All numbers are in USD.

Equity Holdings	Shares	Cost Base	Market Value	Unrealized gains/(losses)
Synchrony Financial	22,500	\$ 297,637	\$ 859,275	\$ 561,638

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Stonetrust's Consolidated Financial and Operating Results – GAAP Basis

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, 2023 and 2022 on a GAAP basis are as follows:

All figures in \$USD

	Unaudited 4th Quarter		Audited Twelve Months	
	2023	2022	2023	2022
Gross premiums written	\$ 11,901,076	\$ 10,931,894	\$ 55,420,395	\$ 52,541,708
Net premiums written	\$ 11,113,929	\$ 10,253,096	\$ 52,428,842	\$ 49,887,038
Net premiums earned	\$ 13,572,090	\$ 12,285,053	\$ 51,756,323	\$ 48,074,432
Underwriting profit	\$ 4,475,765	\$ 4,701,923	\$ 11,518,250	\$ 18,017,204
Net investment income	1,801,322	1,185,248	7,028,077	3,687,714
Operating income	6,277,087	5,887,171	18,546,327	21,704,918
Net gain (losses) on investments ⁽¹⁾	7,188,068	4,368,250	15,695,818	(25,634,483)
Interest expense, bad debt expense & other income	(173,980)	103,441	(365,074)	(133,153)
Pre-tax income (loss)	13,291,175	10,358,862	33,877,071	(4,062,718)
Income tax (expense) benefit	(2,965,716)	(4,564,488)	(7,491,389)	700,068
Net income (loss)	\$ 10,325,459	\$ 5,794,374	\$ 26,385,682	\$ (3,362,650)
Underwriting profit:				
Loss & LAE - accident year	59.6%	56.8%	59.0%	57.8%
Underwriting expenses	33.3%	44.5%	38.9%	40.2%
Combined ratio - accident year ⁽²⁾	92.9%	101.3%	97.9%	98.0%
Net (favorable) adverse reserve development	-25.9%	-39.6%	-20.1%	-35.4%
Combined ratio - calendar year ⁽²⁾	67.0%	61.7%	77.7%	62.5%
Ending Stockholders' Equity			\$ 151,118,474	\$ 133,664,660

⁽¹⁾ Net gains (losses) on investments include 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 combined ratios shown in the exhibit above and discussion below are net of reinsurance.

Net written premiums were \$11,113,929 for the fourth quarter of 2023 and \$52,428,842 for the calendar year ended December 31, 2023. This was an increase of 8.4% and 5.1% from the periods in the prior year. Additionally, net premiums earned were \$13,572,090 for the fourth quarter of 2023 and \$51,756,323 for the twelve months ended December 31, 2023, an increase of 10.5% and 7.7% from the same periods in the prior year.

The calendar year net combined ratios for the quarters ending December 31, 2023 and 2022 were 67% and 61.7%, respectively. Net favorable loss development of approximately \$3.5 million and \$4.9 million was recognized during these periods resulting in a reduction of the calendar year net combined ratios of 25.9% and 39.6%, respectively. The accident year net combined ratios for the quarters ending December 31, 2023 and 2022 were 92.9% and 101.3%, respectively.

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The calendar year net combined ratios for the twelve months ending December 31, 2023 and 2022 were 77.7% and 62.5%, respectively. Net favorable loss development of approximately \$10.4 million and \$17.0 million was recognized during these periods resulting in a reduction of the calendar year net combined ratios of 20.1% and 35.4%, respectively. The accident year net combined ratios for the twelve months ending December 31, 2023 and 2022 were 97.9% and 98.0%, respectively.

Underwriting profit of \$4,475,765 for the fourth quarter of 2023 decreased slightly from \$4,701,923 in the fourth quarter of 2022. A pre-tax net gain of \$13,291,175 was recognized during the fourth quarter of 2023 compared to pre-tax net income of \$10,358,862 for the fourth quarter of 2022. The increase in pre-tax net income can be attributed largely to net investment income and net realized holding gains on equity securities.

Underwriting profit was \$11,518,250 for calendar year 2023 versus \$18,017,204 for calendar year 2022. A pre-tax net gain of \$33,877,071 was recognized for calendar year 2023 compared to a pre-tax net loss of \$4,062,718 for calendar year 2022. The increase in pre-tax net income can be attributed largely to net investment income and net realized holding gains on equity securities, which was somewhat offset by a drop in underwriting profit during the period.

Update with AM Best

In the second quarter, we wrote:

“In late 2022, when Stonetrust purchased the \$30 million 9% Surplus Note of Loggerhead Reciprocal Insurance Exchange (LRIE), A. M. Best had no concerns. But they said that if Stonetrust or Wintai purchased \$9 million of Loggerhead Risk Management (LRM) for a 90% stake, then the A- a rating that Stonetrust just got would be subjected to a review. I did not want to take a chance with Stonetrust’s A-rating, so I purchased 90% of LRM for \$9 million through another affiliate, Chou USA Inc. (unrelated to Wintai Holdings Ltd. or Chou Associates Management Inc).”

In October, A.M. Best agreed that Stonetrust’s A- rating would not be affected if Chou USA transferred its 90% interest to Wintai America Inc. (the U.S. subsidiary of Wintai Holdings Ltd).

We held a Special Meeting of the shareholders on Wednesday, February 21, 2024, and the shareholders approved the transaction. We expect regulatory approval in the second quarter of 2024.

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Loggerhead Reciprocal Interinsurance Exchange (LRIE)**Financial and Operating Results**

(\$ 000s, except for %)	Actual Statutory FY2023
Income Statement:	
Gross Written Premium	45,945
Net Written Premium	36,483
Net Earned Premium	25,512
Net X-CAT Loss & LAE	11,817
Net CAT Loss & LAE	2,848
Total Net Loss & LAE	14,665
Acquisition Costs	
Commissions – Net	5,271
Premium Tax	653
General & Administrative	3,793
Total Acquisition Costs	9,717
Net Underwriting Income / (Loss)	1,128
Installment Fee Income	6
Net Investment Income	1,087
Income Before Interest & Taxes	2,221
Interest Expense	(2,700)
Income Before Taxes	(479)
Net (Excluding Catastrophe) Loss & LAE Ratio	57.5%
Catastrophe Loss Ratio	11.2%
Net Expense Ratio	26.6%
Combined Ratio (including Catastrophe Loss Ratio)	84.1%
Combined Ratio (excluding Catastrophe Loss Ratio)	72.9%
Policyholders Surplus:	
Actual FY2023	
Member Contributions	1,048
Surplus Notes	30,000
Deferred Tax Asset/(Liability)	-
All Other Surplus	(4,507)
Total Policyholders Surplus	26,540

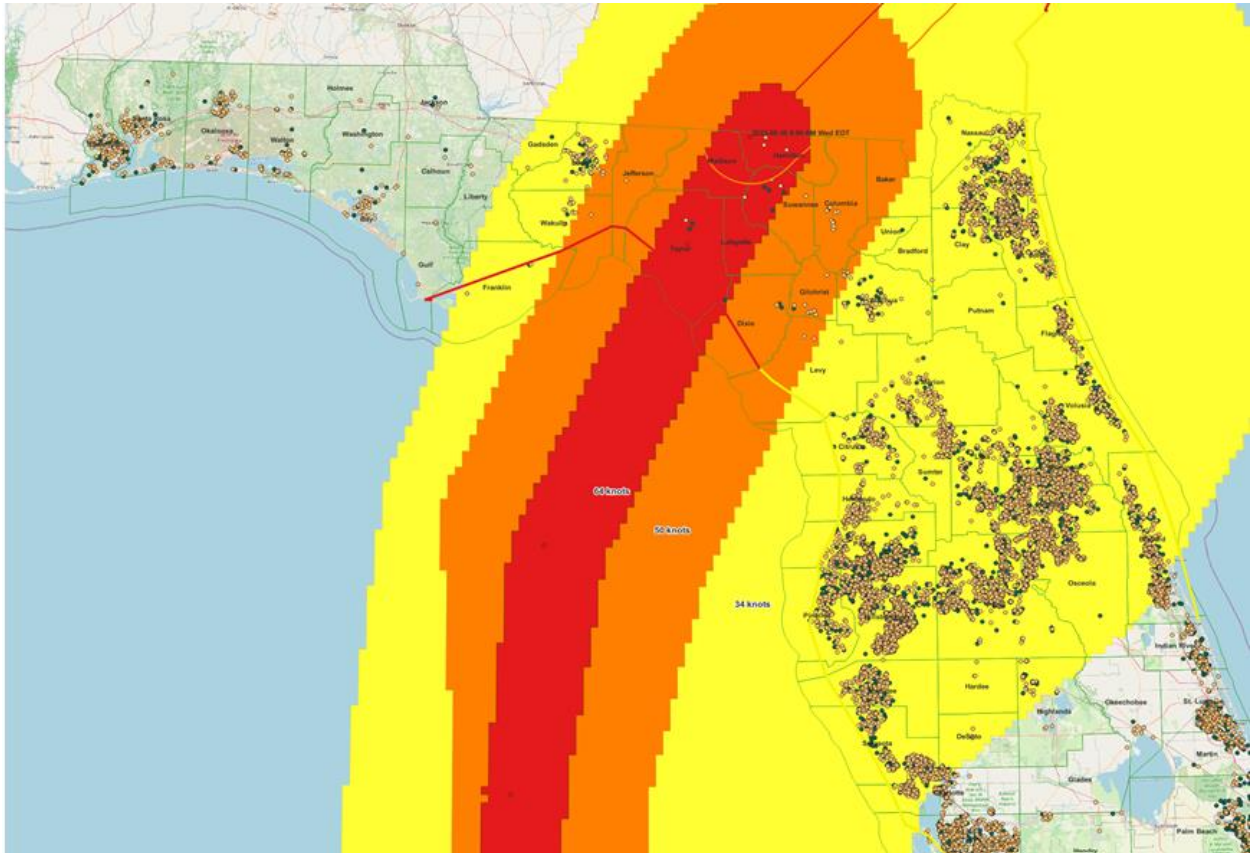
Gross written premiums for the FY2023 were \$45.94 million. The combined ratio was 84.1% (including Catastrophe).

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We had an excellent year in 2023. We avoided severe losses from Hurricane Idalia.

Hurricane Idalia made landfall on Wednesday August 30th at 7:45am, about 20 miles (30 km) south of Perry, Florida, as a Category 3 hurricane, with sustained winds of 125 mph. The path that Idalia took was quite favorable to LRIE as we had very little exposure in the area that received hurricane and tropical storm wind speeds. The map below shows the wind speed zones and the location of our policies.



Color-coded wind speed:

- Red = 75+ mph sustained winds
- Orange = 57 - 74 mph sustained winds
- Yellow = 39 - 56 mph sustained winds

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Loggerhead Risk Management LLC (LRM)

A reciprocal insurance exchange is managed by an entity known as an “Attorney in Fact.” In the case of LRIE, its Attorney in Fact is Loggerhead Risk Management, LLC (“LRM”).

I am happy to report that I can now publish the financial numbers of LRM because our shareholders have approved the transfer of Chou USA Inc’s 90% stake in LRM to Wintaai America Inc.

Last year, Loggerhead Reciprocal Interinsurance Exchange (LRIE) signed a deal with Progressive to acquire the renewal rights to approximately 100,000 policies they had set for non-renewal beginning May 1st, 2024. From that 100,000, LRIE will accept only those policies that meet its underwriting standards. We believe that a conversion ratio of 60% is achievable.

Below is the table that shows LRIE’s projected gross written premiums:

(\$ 000s)	----- Forecasted -----			
	2024	2025	2026	2027
Gross written premiums	199,720	298,313	327,003	353,103

The Progressive deal will have a significant impact on LRM's results. LRM charges fees of 20% of gross written premiums to manage LRIE. Therefore, this will significantly contribute to the generation of revenue. Instead of achieving this revenue base in 5 years, LRM will have it in 2025. Also, pre-tax income will rise correspondingly. We expect LRM to generate close to \$20 million in pre-tax income in 2025.

Below is the table that shows LRM’s projected income statement:

(\$ 000s)	----- Forecasted -----			
	2024	2025	2026	2027
Income Statement:				
Total revenue	20,946	53,569	62,818	67,989
Insurance operating expenses	<u>(13,615)</u>	<u>(33,481)</u>	<u>(37,689)</u>	<u>(40,793)</u>
Pre-tax Income	7,331	20,088	25,126	27,196

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The quality of earnings is really high at LRM given the following:

- 1) The after-tax earnings are cash earnings. They are not tied up in inventories, receivables, or fixed assets. Therefore, they can be paid out as dividends to the shareholders.
- 2) LRIE requires minimal capital to grow its premiums at a fairly good clip. The capital is provided by Members' Contributions – a portion of their insurance premiums is set aside as capital or surplus for LRIE. Therefore, the fee generated by LRM grows proportionately, resulting in much higher pre-tax earnings.
- 3) Wintaai America paid roughly \$9 million to own 90% of LRM. In 2025, they are potentially earning \$20 million in pre-tax income. Even if you put a low multiple of 8 times earnings, the intrinsic value of LRM can be approximately \$160 million. Most of the transactions in this type of business go for 15 times pre-tax earnings. Start dreaming along the lines of: Stonetrust's book value at the end of 2023 was \$151 million, plus how much intrinsic value you want to ascribe to LRM – let's take a range of 8 to 15 times pre-tax earnings of 2025 – that amounts to \$160 million to \$300 million.

Sincerely,

Francis Chou

Francis Chou
Chief Executive Officer
Wintaai Holdings Ltd.

March 31, 2024

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2023 Report to Wintaai Shareholders from Stonetrust President Michael G. Dileo

It's my pleasure to report that 2023 was another exciting and successful year for Stonetrust Commercial Insurance Company. In addition to celebrating our 30th anniversary, we were able to achieve many of our goals for growth and expansion and continue down a very solid and steady path of profitability. The combination of underwriting and investment income achieved in 2023 catapulted Stonetrust to new heights for surplus and total company assets. Some key highlights from last year that are based on statutory accounting principles include the following:

- *Calendar Year Net Combined Ratio – Direct and Assumed =* 78.4%
- *Gross Written Premium – Direct Only =* \$54.5 million
- *Gross Earned Premium – Direct Only =* \$53.8 million
- *Net Underwriting Income =* \$11.1 million
- *Investment Income Earned =* \$6.9 million
- *Overall Net Income =* \$9.4 million
- *Policyholder Surplus =* \$149.5 million
- *Total Company Assets =* \$253.4 million

Stonetrust's financial results in 2023 were complimented by a strong report from AM Best dated July 3, 2023. In the report, AM Best affirmed Stonetrust's Financial Strength Rating (FSR) as A – Excellent with a Stable outlook. The report also rated our balance sheet strength as *Very Strong* and indicated that Stonetrust's financial position was solidified through material surplus growth, driven by core operations and strong investment income. Overall, the AM Best report was extremely complimentary about our consistent operating performance. It also highlighted the progress that we've achieved in recent years and the solid foundation that we've established for the future of the company and all our stakeholders.

2024 will prove to be another pivotal year in Stonetrust's evolution as we plan for expansion into new underwriting markets in new states. To prepare for this, we have significantly upgraded the company's core operating systems and integrated automation into our new business and renewal underwriting processes. This year, we will also implement a data analytics tool that will enhance our underwriting decision-making ability and broaden our ability to underwrite a larger segment and diversity of business classes. As we enter the second quarter, we're excited about achieving another successful year.

In 1993, Stonetrust was started in Baton Rouge, Louisiana as a self-insured fund that was created on the principle that worker's compensation insurance could be offered at a fair price by a company that always puts people first, delivers exceptional service, and values the benefits that come with building strong relationships. Thirty years later, it's my privilege and honor to lead a great company that still cherishes that same spirit and strives to achieve the same vision that was the foundation for starting and building the company.

Sincerely,

Michael G. Dileo, CPCU
President and Chief Operating Officer

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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
June 30, 2019	\$17.44	\$13.33
Sept. 30, 2019	\$18.04	\$13.62
Dec. 31, 2019	\$19.41	\$14.94
Mar. 31, 2020	\$15.70	\$11.16
June 30, 2020	\$20.60	\$15.13
Sept. 30, 2020	\$21.96	\$16.48
Dec. 31, 2020	\$24.20	\$19.01
Mar. 31, 2021	\$27.42	\$21.81
June 30, 2021	\$29.44	\$23.75
Sept. 30, 2021	\$31.23	\$24.51
Dec. 31, 2021	\$33.50	\$26.42
Mar. 31, 2022	\$32.32	\$25.86
June 30, 2022	\$31.05	\$24.22
Sept. 30, 2022	\$32.72	\$23.87
Dec. 31, 2022	\$33.92	\$25.05
Mar. 31, 2023	\$35.09	\$25.93
June. 30, 2023	\$36.48	\$27.56
Sept. 30, 2023	\$37.57	\$27.79
Dec. 31, 2023	\$39.81	\$30.10