

HONG KONG MARKET REVIEW

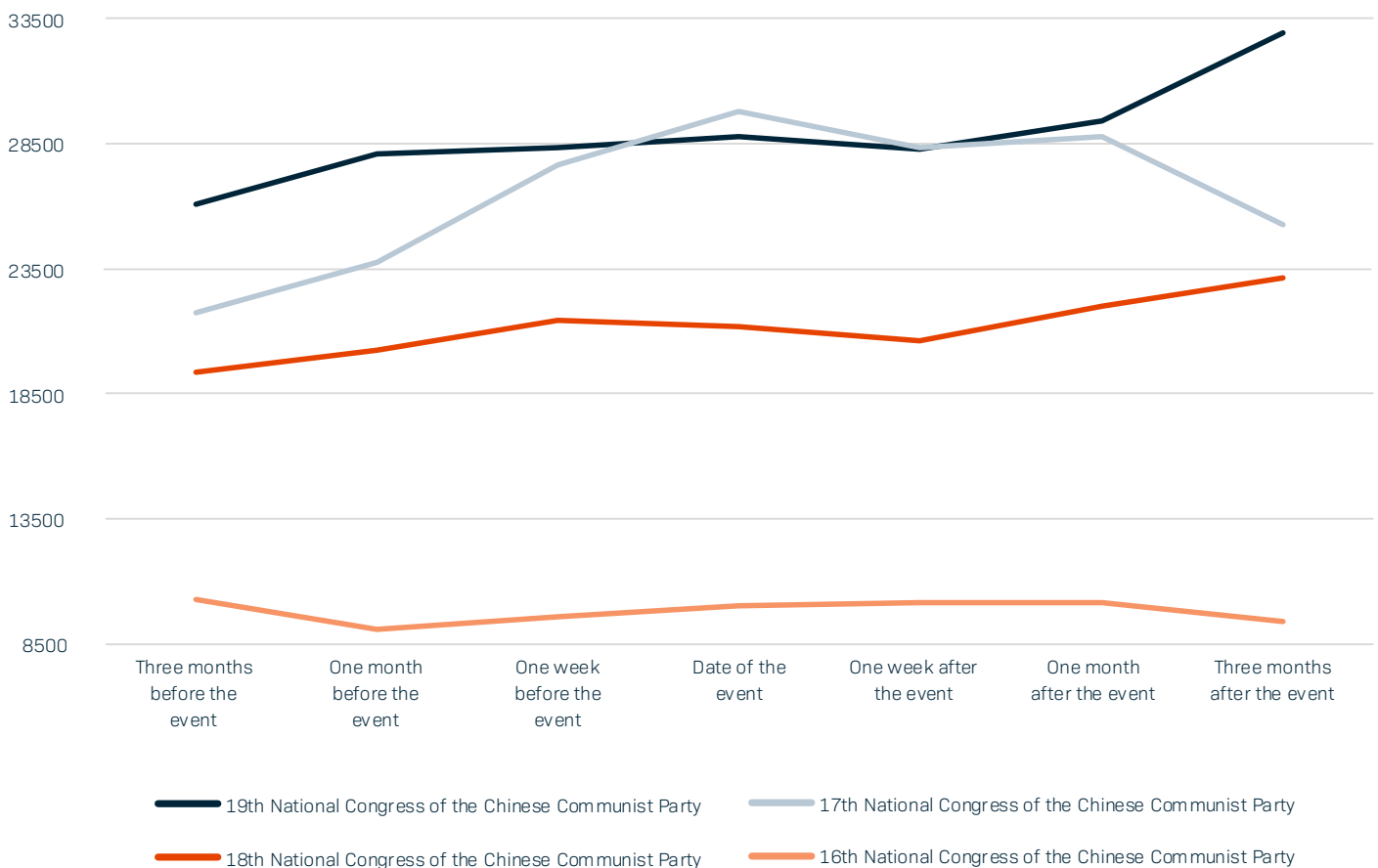
China has always influenced Hong Kong in different perspectives.

- Stock connect contributes to Hong Kong trading volume.
- The Hong Kong stock market gets volatile when there is an important meeting in Mainland.
- At the same time, the increasing interest rate will also make the market volatile.
- EquitiesFirst's Borrowers-Friendly margin call mechanism helps investor go through the hard time.

UNCERTAINTIES ARISE FROM UPCOMING EVENT

The 20th National Congress of the Chinese Communist Party will be held during 16th to 24th October 2022. Based on historical data, the HSI Index may fluctuate during the period. The direction of market is unclear, but the market is alert with news related to the national congress and may react quickly, leading to the movement on share price.

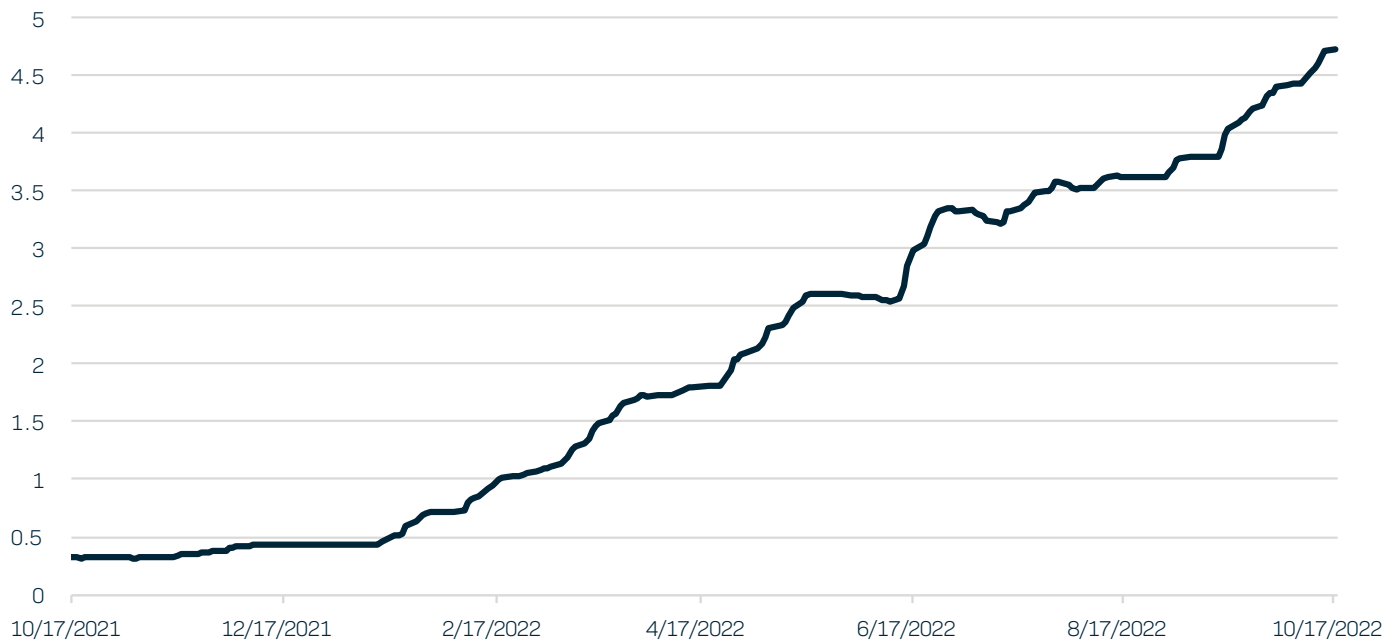
HSI PERFORMANCE



UNCERTAINTIES ARISE FROM UPCOMING INTEREST RATE HIKE

As the US keeps hiking interest rates, Hong Kong and some other major economies are increasing their interest rates as well. It not only influences the cost of borrowing but makes the market volatile. HIBOR for 12 months has grown from 0.32% in October 2021 to around 4.7% in October 2022. The uncertainties of interest rates worsen the economy and bring HSI into bear market.

HIBOR-12 MONTHS



SOLVING PROBLEMS AMID THE UNCERTAINTIES WITH EQUITIESFIRST'S BORROWERS-FRIENDLY MARGIN CALL

Amid the uncertainties, we present a solution for shareholders to:

1. Diversify their systematic risk
2. Limit the downside risk in worst-case scenarios
3. Retain 100% upside in the best-case scenario

This is through a sale and repurchase agreement with EquitiesFirst with the following benefits:

- **Industry-leading loan-to-value (LTV) ratio:** With USD100 worth of collateral, the shareholder can borrow USD65-70
- **Non-recourse feature:** This limits the downside risk of the shareholder. In the worst-case scenarios (e.g. collapse of share price), the shareholder has the option to walk away from the loan with no further liabilities (while keeping the loan proceeds)
- **Non-Purpose:** The loan capital can be used for any purpose by the borrower and is not subject to restrictions. This helps shareholders to diversify their systematic risk by investing the loan proceeds in other assets
- **Upside Retention:** The borrower retains the full upside price appreciation in the best-case scenario (e.g. the share price keeps increasing after the event)
- **Margin Call Advantage:** Our margin call threshold is calculated as 80% of the loan LTV. If the LTV is 65%, the margin call threshold would be $80\% \times 65\% = 52\%$. This means the share price needs to drop from 100 to below 52 (for 3 consecutive days) before there would be a margin call. This prevents shareholder to get margin call easily when the share price fluctuates.

After nearly 20 years of refining this business model, EquitiesFirst's process is highly efficient. The firm can provide indicative terms for single-stock financing within a few hours. Client onboarding, KYC and AML checks can be completed within a few business days. A single loan tranche can be executed in 5-7 business days.

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