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EQUITIESFIRST® Progressive Capital

CHINA'S RE-OPENING

Summary

- China's government has ended quarantine procedures for inbound travellers starting from January 2023
  - Starting from March 2020, there was previously up to 4 weeks of quarantine for incoming travellers.
- From December until now, China has lifted some of their strictest zero-Covid policies.
- China's GDP, financial markets and tourist activity have a deep influence on global markets
- Investors seem to have regained confidence in China markets:
  - China's A shares premium over H shares has dropped to the lowest it has been in a year
  - APAC issuers sold around USD 22 billion of dollar notes in the first three days of 2023

CHINA'S ZERO-COVID POLICY AND MEASURES

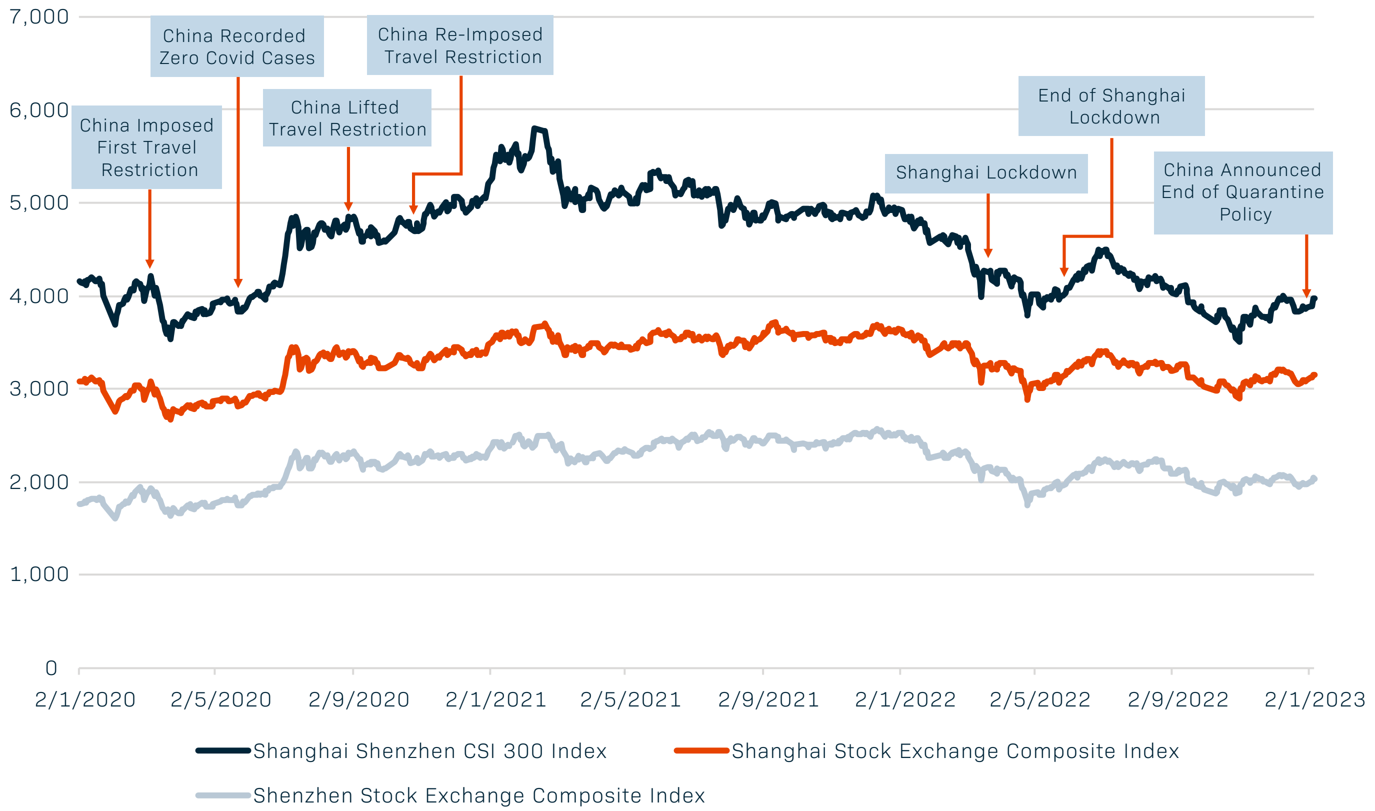
Extensive long-term travel restrictions and quarantine policies in China have ended starting from January, 8 2023. Covid has been downgraded to a seasonal influenza which eliminates the uncertainty around zero Covid policies. China's border opening and dropping of zero Covid measures may encourage foreign investors to invest in China.

China has previously been steadily adjusting its Covid measures, including boundary control and lockdowns in different provinces and cities.

China first imposed travel restrictions on March 28, 2020. At this time, foreigners were prohibited from entering China on most types of visas. This restriction was temporarily lifted in September 2020 where foreigners were able to enter China for work, personal travel and for family reunions. On November 3, 2020, due to the worsening pandemic in several areas of the world, China re-imposed the initial rules used in March of 2020 for foreigners from 13 countries including the UK, France and Italy. On March 15, 2021, China announced that travellers who had received Chinese Covid vaccines and obtained vaccination certificates could benefit from streamlined visa applications.

Before Covid rules were eased, there were up to 28 days of quarantine for travellers entering China. Up to 14 days quarantine was also required when traveling to different provinces within China.

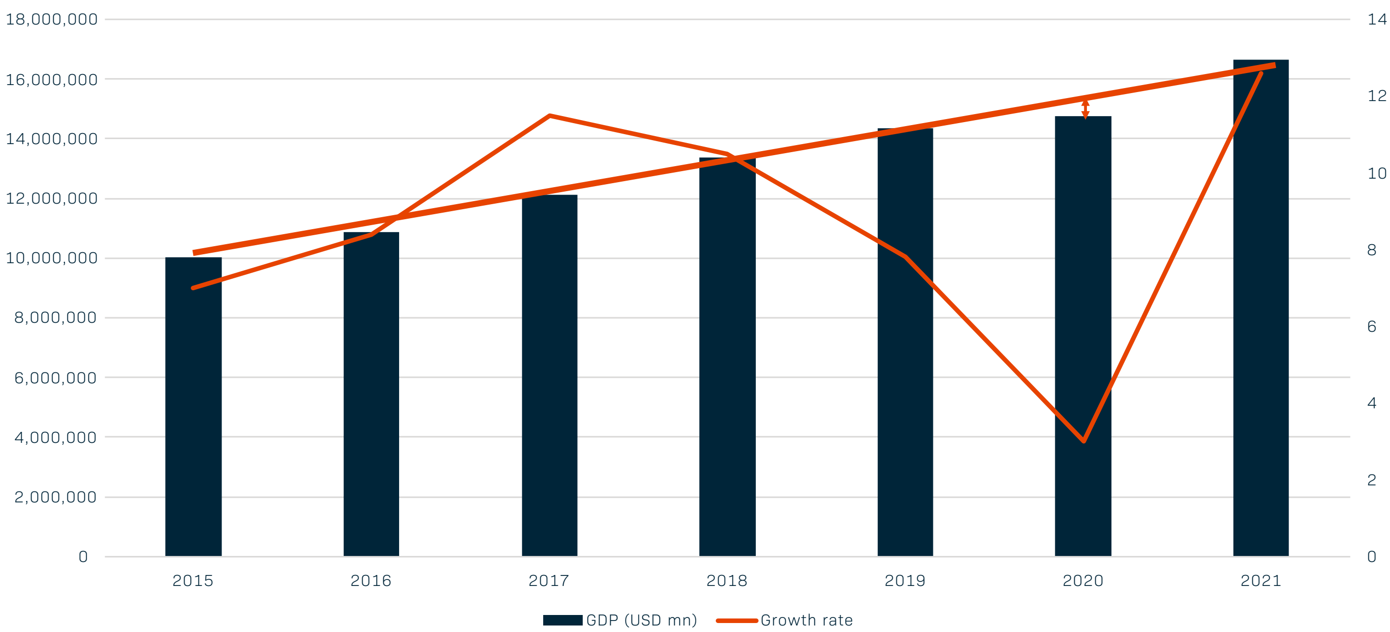
ZERO-COVID MEASURES AND MAJOR CHINESE MARKET INDICES PERFORMANCE



CHINA'S ECONOMY BEFORE AND AFTER COVID

Before Covid, China's GDP was growing stably at a fast pace of around 7-12% for five consecutive years. However, in 2020, its GDP growth rate plunged to 3%, which was less than the projected GDP of around USD 574 billion. This was 1.5 times of Hong Kong's GDP in 2020. The GDP growth rate rebounded in 2021 to 12.6% as Covid cases started to be under control and due to government economic policy stimulus. We may see similar growth in 2023 with the lifting of Covid measures and with support from the government to the country's economy.

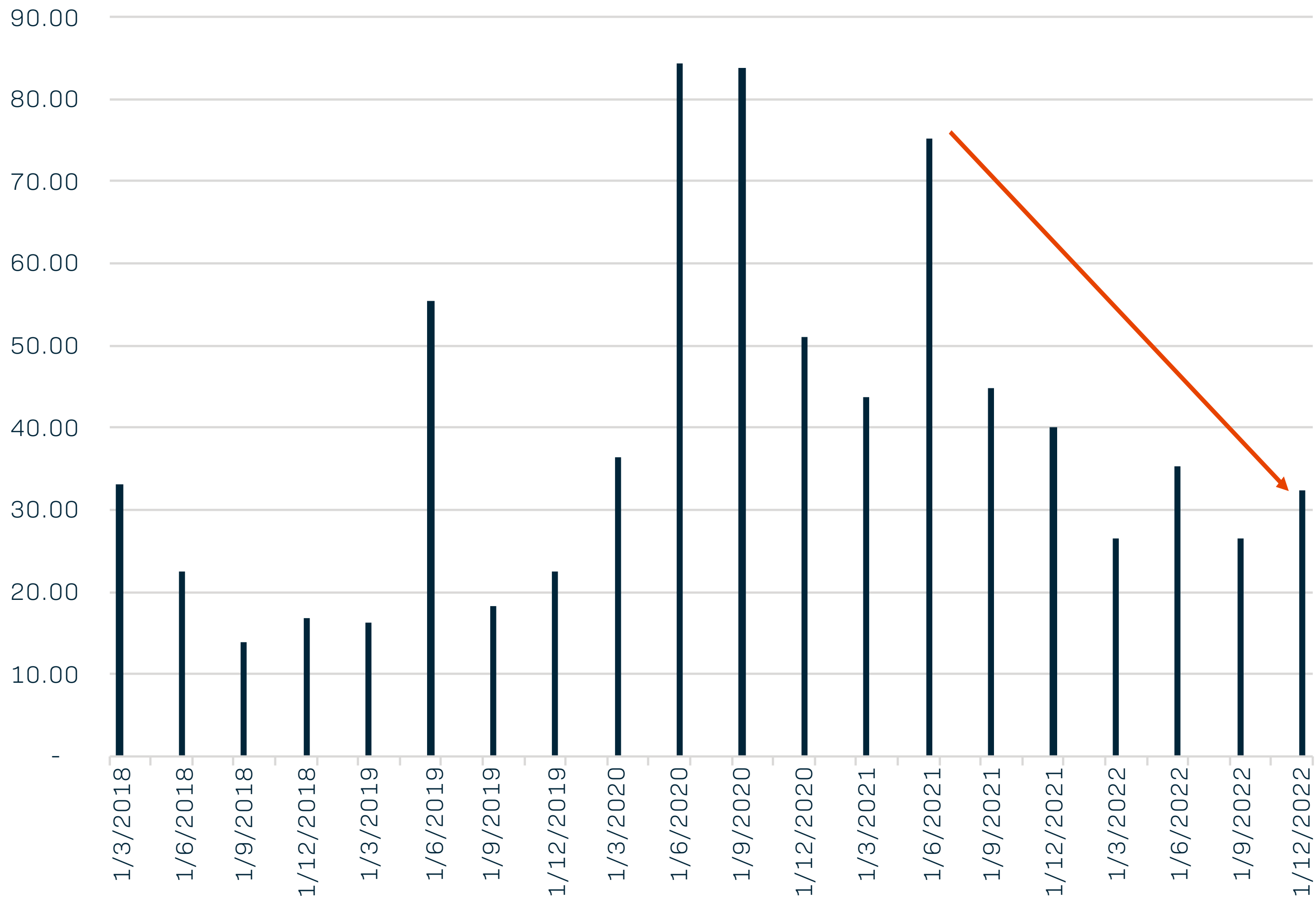
CHINA GDP DURING 2015-2021 (USD MN)



Source: Bloomberg, China Government

We also observed that capital raised from equity markets gradually dropped from 2Q21 to 4Q22. Due to Covid restrictions and its impact on China's economy, investors were reluctant to subscribe to the offerings in China's equity market. Capital raised in China halved from around USD 75 billion in 2Q21 to around USD 32 billion in 4Q22. This figure is expected to rebound in 2023 given the easing of restrictions and projected regaining of confidence for foreign investors looking to China.

CAPITAL RAISED FROM EQUITY MARKET IN CHINA FROM 2018 TO 2022 (USD BN)

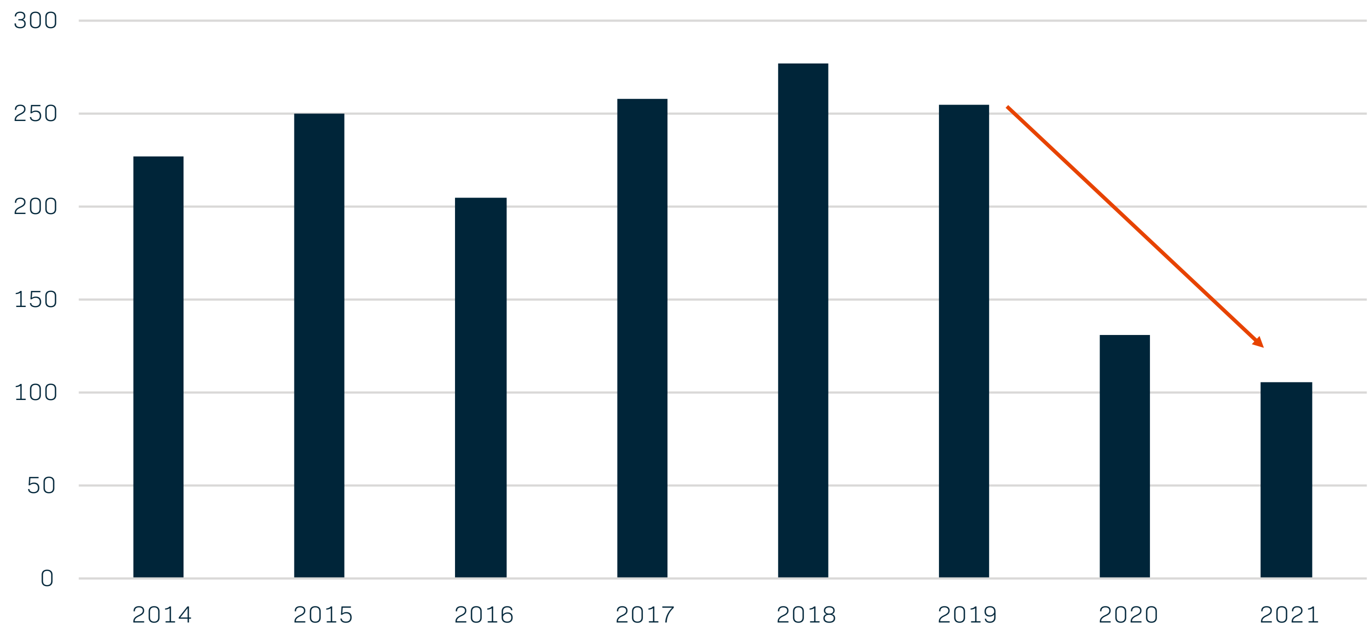


Source: Bloomberg

CHINESE TOURISTS AND WORLD ECONOMICS

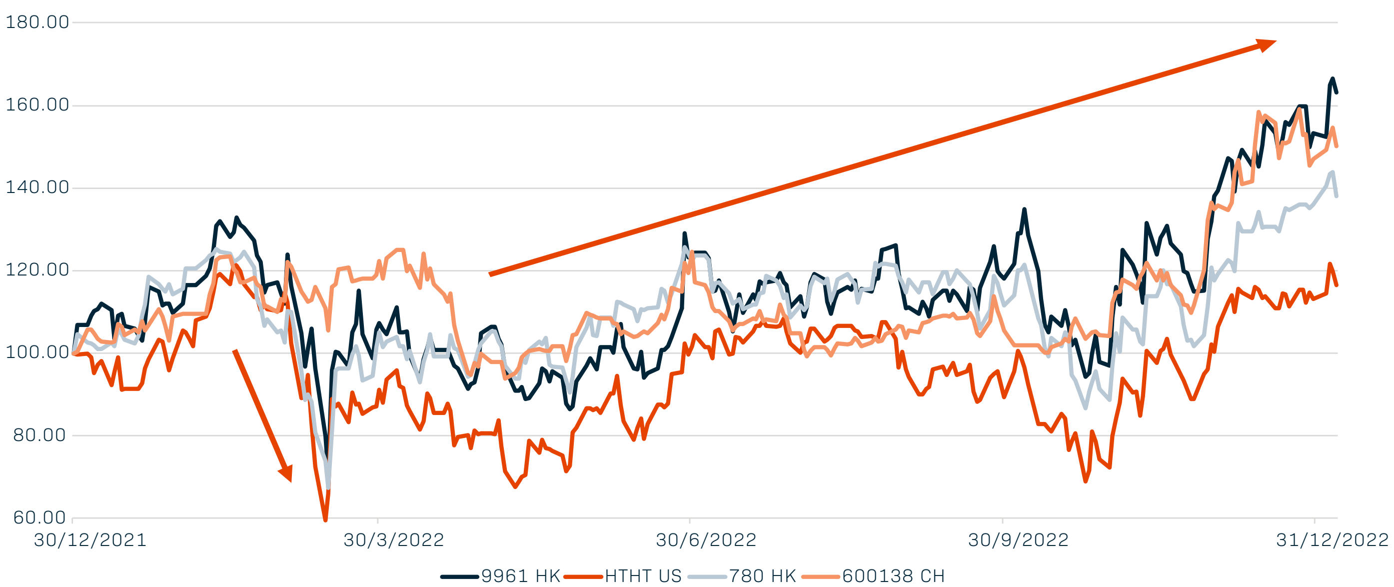
In 2019, China's Travel & Tourism sector contributed 10.3% to global GDP, which decreased to 5.3% in 2020 due to restrictions and concerns of Covid, according to World Travel & Tourism Council. Chinese tourists were also hindered from visiting other countries because of Covid. The international tourism expenditure of Chinese tourists dropped by almost half from 2019 to 2020. International tourism expenditure from Chinese tourists further dropped from USD 131 billion in 2020 to USD 105 billion in 2021.

INTERNATIONAL TOURISM EXPENDITURE OF CHINESE TOURISTS (USD BN)



The tourism sector is predicted to benefit from the easing of Covid policies. The following graph demonstrates the share price performance of some listed tourism-related companies, where three of them experienced a plunge in early March due to Shanghai's lockdown. However, all of their share prices show a positive trend in the last three quarters in 2022.

PRICE PERFORMANCE OF SELECTED TRAVEL-RELATED STOCKS (REBASED)

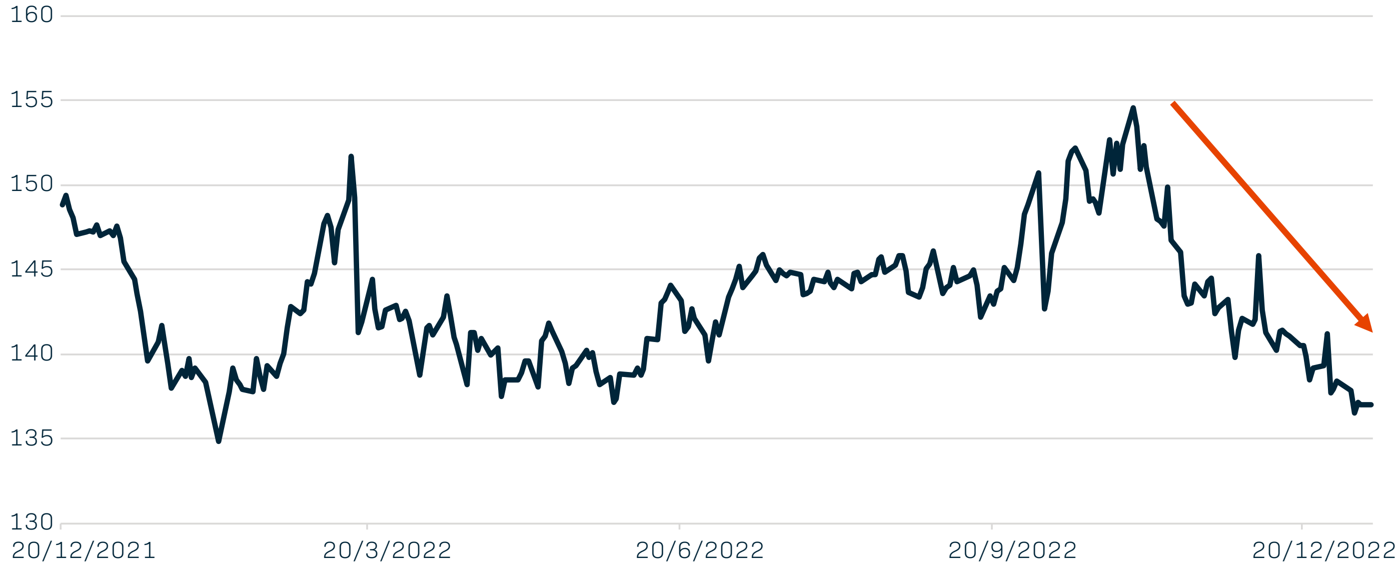


Source: Bloomberg

CHINA'S REOPENING POLICIES BOOST MARKET CONFIDENCE

In the last quarter of 2022, we witnessed that the price gap between stocks that have dual-listings in mainland China and Hong Kong is narrowing. Global investors have been increasing their confidence in China's reopening. With the ease of Covid-zero policies and the reopening of borders, we may see more investors turn back to China in 2023.

HANG SENG STOCK CONNECT CHINA AH PREMIUM INDEX



REVIVAL OF APAC DEBT MARKETS

2022 was a tough year for credit markets with high inflation, climbing interest rates and market uncertainty with risk of default. These factors pushed the Yield of Maturity to more than double over the year. However, the rate has begun to drop since late 2022. Additionally, according to Bloomberg, there were around USD 22 billion worth of dollar notes sold by APAC issuers in the first three days of 2023.

BLOOMBERG ASIA USD INVESTMENT GRADE BOND INDEX - YIELD TO MATURITY

Source: Bloomberg

HOW EQUITIESFIRST CAN HELP

EquitiesFirst can help people who are facing these three issues at the same time:

1. EFH LOAN CAN BE USED TO REPAY OTHER LOANS OR EXPAND YOUR COMPANY (NON-PURPOSE)

As we provide fixed rate loans for a 3-year loan term. Borrowers don't need to worry about changes in interest rates and they can take their time to arrange repayment. Further, there are no restrictions on the purpose of EquitiesFirst's loans, which means that borrowers can repay their other outstanding loans or expand factories/ shops with the loan proceeds from us.

2. EFH LOAN CAN EASILY BE ACCESSED (LOW REQUIREMENTS)

For companies facing difficulty in procuring funds, EquitiesFirst provides a high LTV and low fixed interest rate with low requirements for the Collateral Shares. As EquitiesFirst only focuses on the liquidity of shares, borrowers can easily borrow funds.

EquitiesFirst Collateral Shares Criteria:

Average Trading Volume: more than USD 100,000

Share Price: higher than USD 0.01

3. EFH LOAN PROVIDES A GREAT OPPORTUNITY TO BUY AT LOW & HEDGE

Investors holding shares which are currently under water can pledge those stocks with EquitiesFirst instead of selling them at a lower price on the market. They may then use the loan to buy undervalued stocks and earn from both the pledged stocks and the new investments. Moreover, EqutiesFirst provides the hedge for the borrowers against the lower share price. As our loan is non-recourse, they can simply walk away with the funds if they find the collateral share price is too low. On the other hand, if they believe the share price will bounce back, they can top up and keep the rights of buying back the shares.

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