

HOW BROKERAGE FIRMS CAN GAIN AN EDGE AMONGST FIERCE COMPETITION

BACKDROPS AND OUR OBSERVATIONS:

- The number of brokers in Hong Kong has increased significantly over the last decade, leading to fiercer competition.
 - 55% indicate their intention to explore new revenue channels, introduce new products or expand into new markets in 2023 according to the Hong Kong Securities Association
- The average daily trading volume doubled over the last decade, which also increased total operating profits.
 - The average daily turnover increased to USD 16 billion in 2022 from USD 6.9 billion in 2012.
 - The operating profits increased from USD 1.1 billion to USD 2.9 billion.

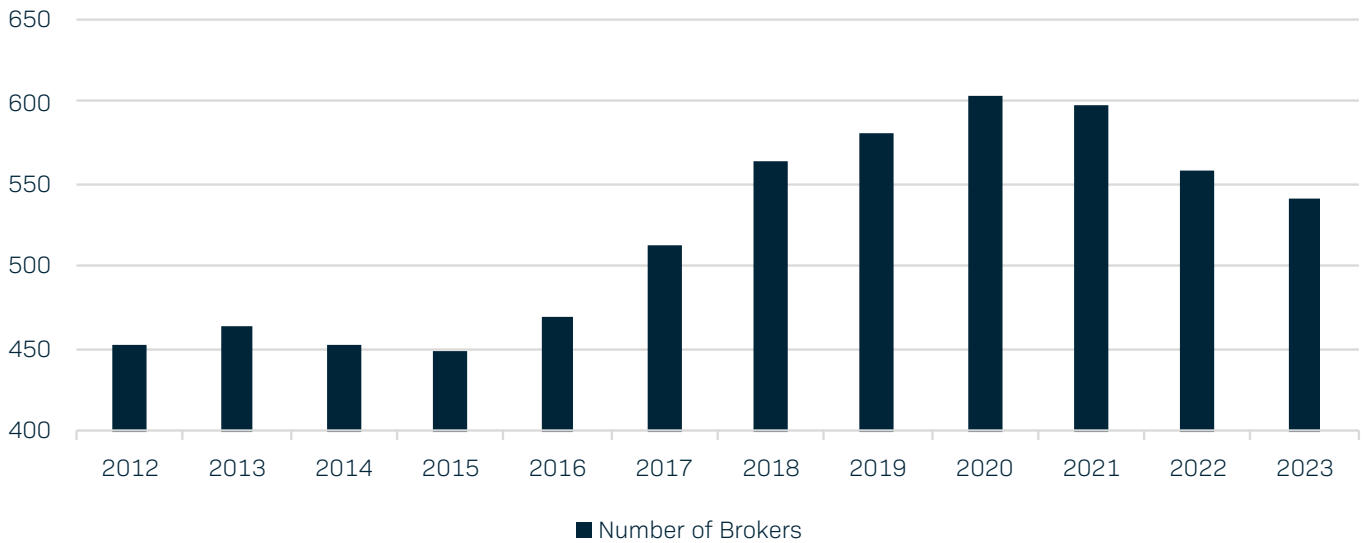
KEY TAKEAWAYS:

- When partnering with EquitiesFirst, broking companies can enjoy the following advantages:
 - Increased revenue
 - Diversification of services
 - Better client retention
 - Risk management
 - Higher loan-to-value ratios
- With EquitiesFirst's innovative solution, broking companies can have better client retention and greater business flexibility.

FIERCER COMPETITION FOR BROKERAGE FIRMS IN HONG KONG

As the brokerage industry continues to experience significant growth, it is attracting an increasing number of participants. To differentiate themselves from their competitors, brokers have turned to providing premium services. According to a survey conducted by Hong Kong Securities Association, 55% of respondents intend to explore new revenue channels, introduce new products or expand into new markets in 2023. Brokerage firms in Hong Kong are now competing by delivering greater value to their clients rather than simply offering low fees.

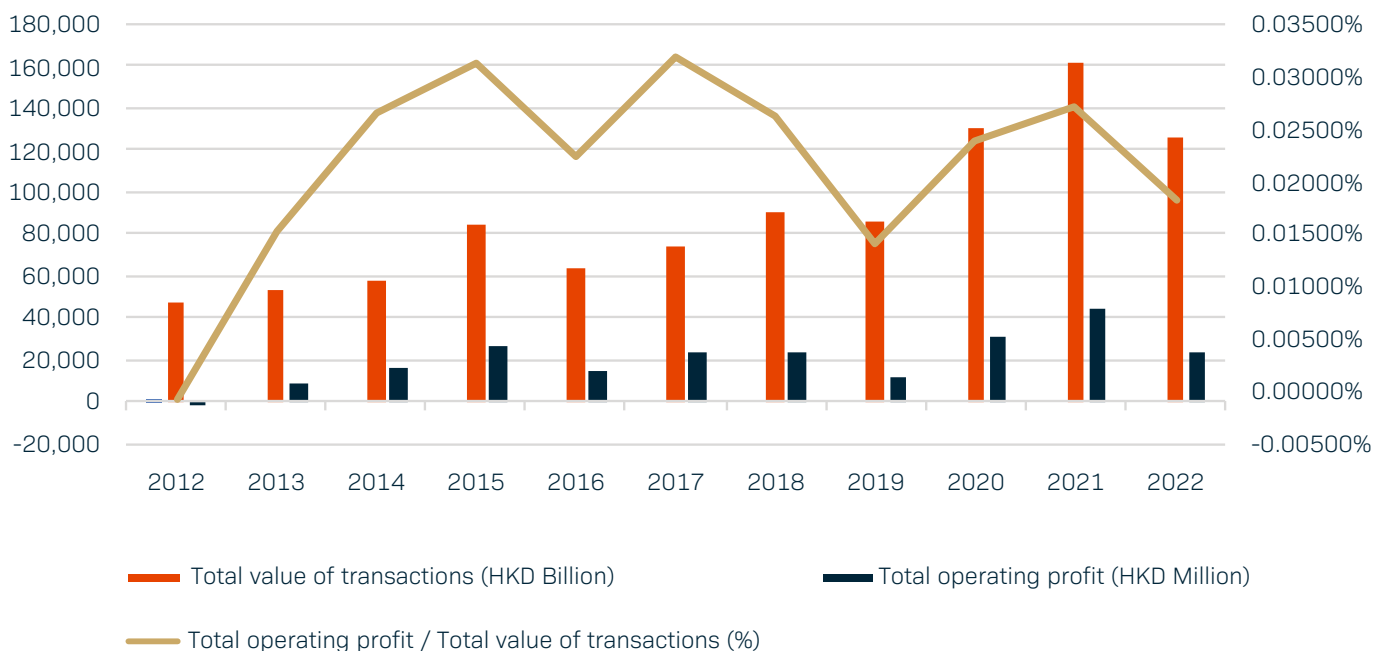
NUMBER OF BROKERAGE FIRMS IN HONG KONG



**INCREASED MARKET SIZE AND PROFITS FOR HONG KONG
BROKERAGE INDUSTRY**

The total trading value of the Hong Kong stock market has significantly increased over the last decade, leading to significant growth in operating profits for brokerage firms. The large amount of capital flowing into the stock market can be attributed largely to the low interest rate policy, especially between 2019 and 2021. However, the recent rise in interest rates may impact trading volume in the future.

MARKET SIZE OF HONG KONG BROKERAGE INDUSTRY AND OPERATING PROFIT MARGIN



EARN REVENUE AND PROVIDE CLIENTS WITH MORE OPTIONS BY PARTNERING WITH EQUITIESFIRST

One of the potential solutions for brokerage firms to generate additional revenue is to lend capital to their existing clients. Some clients prefer to hold their stocks for extended periods, resulting in limited trading activity and brokers can only charge custodian fees. Moreover, even when clients seek margin lending, brokers may face challenges in accepting illiquid or small cap stocks as collateral due to the higher risk involved. As a result, the stocks remain idle for both brokers and their clients. However, EquitiesFirst offers innovative solutions to address these issues.

Partnering with EquitiesFirst presents an innovative solution for brokerage firms to stand out from the crowd with the following benefits:

- 1. Increased revenue:** A broking company can earn commission or fees for referring clients to EquitiesFirst or for assisting with the loan process.
- 2. Diversification of services:** By working with EquitiesFirst, a broking company can expand their offerings to include alternative financing solutions. EquitiesFirst's equity backed loans offer clients flexibility in terms of the use of the loan proceeds. This enhances the appeal for broking companies to a wider range of clients who may not have been interested in traditional brokerage services alone.
- 3. Better client retention:** By offering additional financial services, a broking company may be able to retain clients for a longer period and increase their customer loyalty.
- 4. Risk management:** A brokerage company is not required to use their own capital for lending. As such, the solution can be beneficial for a broking company that wants to offer financing options to clients while minimizing their risk exposure.
- 5. Higher loan-to-value ratios:** EquitiesFirst may be able to offer higher loan-to-value (LTV) ratios, typically 65%, compared to traditional lenders, which could be attractive to clients who want to access a larger amount of financing. This can also help a broking company provide a more competitive financing solution to their clients.

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