Overseas Expansion of Asian Securities Companies: Differentiated Strategies and Target Destination
Our Background

• Established and registered in Hong Kong in July 2012

• Our parent company, China Securities Co., Ltd. ("CSC") is a large-scale, nationwide, comprehensive securities company with a registered capital of RMB 6.1 billion, approved by China Securities Regulatory Commission (CSRC)

• Full-Service Investment Bank
  ➢ Corporate Finance
  ➢ Asset Management
  ➢ Securities Brokerage
  ➢ Investment Research
  ➢ Financing businesses
Situation in Hong Kong

Securities Company Category in Hong Kong:

- Foreign based
- Local based
- China based

Trend: Increasing number of Mergers & Acquisitions on HK Securities Company by:

- Mainland Banks
- Mainland Insurance Companies
- Mainland Listed Companies
- Mainland Securities Companies
Why China Securities Companies expand overseas?

- Increasing wealth in China
- Limited financial products offered in China
- Foreign Investors keen to participate in China
- Business Opportunities with Foreign enterprises
- Increase demand of capital raising (IPO)

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>Date of Listing</th>
<th>Amount (HKD$)</th>
<th>Market Cap (HKD$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6837 HK Equity</td>
<td>Haitong Securities</td>
<td>4/27/2012</td>
<td>13,031,600,000</td>
<td>47.802B</td>
</tr>
<tr>
<td>6881 HK Equity</td>
<td>China Galaxy Securities</td>
<td>5/22/2013</td>
<td>8,310,000,000</td>
<td>25.615B</td>
</tr>
<tr>
<td>1375 HK Equity</td>
<td>Central China Securities</td>
<td>6/25/2014</td>
<td>1,878,000,000</td>
<td>5.600B</td>
</tr>
<tr>
<td>1776 HK Equity</td>
<td>GF Securities</td>
<td>4/10/2015</td>
<td>27,890,000,000</td>
<td>25.493B</td>
</tr>
<tr>
<td>6886 HK Equity</td>
<td>Huatai Securities</td>
<td>6/1/2015</td>
<td>34,720,000,000</td>
<td>26.886B</td>
</tr>
</tbody>
</table>
Why China Securities Companies expand overseas?

- Increase demand of capital raising (RMB Bond)

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>Total amount of bond Issued (CNY Billion)</th>
<th>Total amount of bond Issued (HKD Billion)</th>
<th>Total amount of bond Issued (USD Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6837.HK</td>
<td>Haitong Securities</td>
<td>71.00</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6030.HK</td>
<td>CITIC Securities</td>
<td>47.50</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1776.HK</td>
<td>GF Securities</td>
<td>35.50</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6881.HK</td>
<td>China Galaxy Securities</td>
<td>20.50</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>812.HK</td>
<td>Southwset Securities International</td>
<td>1.50</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1375.HK</td>
<td>Central China Securities</td>
<td>1.50</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>665.HK</td>
<td>Haitong International Securities</td>
<td>1.07</td>
<td>2.17</td>
<td>N/A</td>
</tr>
<tr>
<td>1788.HK</td>
<td>Guotai Junan International</td>
<td>0.10</td>
<td>0.23</td>
<td>0.012</td>
</tr>
<tr>
<td>952.HK</td>
<td>Quam</td>
<td>N/A</td>
<td>0.10</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Why choose Hong Kong?

- Hong Kong is part of China
- International Financial Center
- Free Capital Flow
- Established Legal System
- Established Regulator

What they concern?

- Cost
- Manpower
- Talent
- Licenses
- Exchange and Clearing Membership
Differential Strategy:

- Acquire Listed companies
  - **Haitong Securities took over Taifook Securities Group (665 HK)** for US$235 million, 52.86% stake, in Nov 2009 and renamed as Haitong International Securities
  - Haitong International Securities Group opened the first office in Singapore in Jan 2014

- **Southwest Securities International Investment** announced to buy **Tanrich Financial (812HK)** for HKD348M, 51% stake in June 2014 and renamed as Southwest Securities International Securities Ltd.

- **China Cinda Holdings acquired Hantec Investment Holdings (111HK)** for HKD 204M, 52.32% stake, in Sep 2008 and renamed as Cinda International
Differential Strategy:

- Acquire Private companies
  - **Citic Securities took over Credit Lyonnais Securities Asia (CLSA)** for over US$1 billion in July 2013
  - CLSA acquired stake in US brokerage BTIG in April 2014

- Launch Branches in Hong Kong
  - China Minsheng Bank setup Minsheng Bank Corp International in March 2015 in Hong Kong.
  - **Minsheng Bank Corp International announced the acquisition of Quam Securities (952 HK)** for HKD770M in April and is pending.

- China Merchants Securities Co. (**600999CH**) plans to raise up to US$5 billion in a Hong Kong initial public offering in the fourth quarter 2015
<table>
<thead>
<tr>
<th>Target Destination</th>
</tr>
</thead>
</table>

**Table A - Market Capitalisation of the World's Top Stock Exchanges (As at end Jun 2015)**

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Worldwide Ranking</th>
<th>Ranking in Asia</th>
<th>Market Capitalisation (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US (NYSE Euronext)</td>
<td>1</td>
<td></td>
<td>19,237.43</td>
</tr>
<tr>
<td>US (Nasdaq OMX)</td>
<td>2</td>
<td></td>
<td>7,243.28</td>
</tr>
<tr>
<td>China (Shanghai)</td>
<td>3</td>
<td>1</td>
<td>5,694.38</td>
</tr>
<tr>
<td>Japan (Japan Exchange Group)</td>
<td>4</td>
<td>2</td>
<td>4,944.15</td>
</tr>
<tr>
<td>UK (London Stock Exchange Group)</td>
<td>5</td>
<td></td>
<td>4,363.85</td>
</tr>
<tr>
<td>China (Shenzhen)</td>
<td>6</td>
<td>3</td>
<td>3,907.21</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7</td>
<td>4</td>
<td>3,751.45</td>
</tr>
<tr>
<td>Europe (NYSE Euronext)</td>
<td>8</td>
<td></td>
<td>3,414.83</td>
</tr>
<tr>
<td>Canada (Toronto)</td>
<td>9</td>
<td></td>
<td>2,046.03</td>
</tr>
<tr>
<td>Germany (Deutsche Börse)</td>
<td>10</td>
<td></td>
<td>1,752.56</td>
</tr>
<tr>
<td>India (Bombay)</td>
<td>11</td>
<td>5</td>
<td>1,599.68</td>
</tr>
<tr>
<td>Switzerland</td>
<td>12</td>
<td></td>
<td>1,545.79</td>
</tr>
<tr>
<td>Korea</td>
<td>13</td>
<td>6</td>
<td>1,334.38</td>
</tr>
<tr>
<td>Australia</td>
<td>14</td>
<td>7</td>
<td>1,239.84</td>
</tr>
<tr>
<td>Northern Europe (NASDAQ OMX Nordic Exchange)</td>
<td>15</td>
<td></td>
<td>1,237.97</td>
</tr>
</tbody>
</table>

**Remarks:**
1. Comprises Tokyo Stock Exchange and Osaka Securities Exchange
2. Comprises London Stock Exchange and Borsa Italiana
3. Comprises Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris
4. Includes GEM
5. Includes TSX Venture

Ranking is based on market capitalisation. Market capitalisation excludes investment funds.

All World Federation of Exchanges (WFE) member stock exchanges, not solely the main exchange for each country, are included in the ranking.

Data downloaded on 20 Jul 2015.

**Sources:** WFE and Bloomberg
Target Destination

Market:

Expansion to the overseas:
- Exchange market cap as an indicator on the degree of robust
  Financial center for the Securities to target the location

Asia Pacific Move:
China, Japan, Hong Kong, Australia, India, Korea, Singapore, Taiwan

Europe Move:
UK, German, France, Italy

North America Move:
US, Canada
Business priority:

-1) Brokerage:
   1) Representative office
   2) Branch setup
   3) Regulatory approval License
   4) Exchange and Clearing membership

-2) House Investment

-3) Asset Management

-4) Corporate Finance
Financial Products offered in Hong Kong

- **Securities Products**
  - Equity Securities
  - Depositary Receipts
  - Stapled Securities
  - Debt Securities
  - Unit Trusts / Mutual Funds
    - Exchange Traded Funds
    - Real Estate Investment Trusts
  - Structured Products
    - Derivative Warrants
    - Callable Bull/Bear Contracts
    - Listed Equity Linked Instruments
Financial Products offered in Hong Kong

- **Derivatives Products**
  - Equity Index Products
    - Hang Seng Index Futures & Options
    - H-shares Index Futures & Options
    - Dividend Futures
    - HSI Volatility Index (VHSI) Futures
    - CES China 120 Index Futures
    - BRICS Futures
  - Equity Products
    - Stock Futures
    - Stock Options
  - Currency Product
    - RMB Currency Futures
  - Interest Rate and Fixed Income Products
    - HIBOR Futures
    - RMB Bond
  - Commodities Products
THANK