



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)

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



Why China Securities Companies expand overseas?

- Increase demand of capital raising (RMB Bond)

Ticker	Name	Total amount of bond Issued (CNY Billion)	Total amount of bond Issued (HKD Billion)	Total amount of bond Issued (USD Billion)
6837.HK	Haitong Securities	71.00	N/A	N/A
6030.HK	CITIC Securities	47.50	N/A	N/A
1776.HK	GF Securities	35.50	N/A	N/A
6881.HK	China Galaxy Securities	20.50	N/A	N/A
812.HK	Southwest Securities International	1.50	N/A	N/A
1375.HK	Central China Securities	1.50	N/A	N/A
665.HK	Haitong International Securities	1.07	2.17	N/A
1788.HK	Guotai Junan International	0.10	0.23	0.012
952.HK	Quam	N/A	0.10	N/A



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

Target Destination



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

表 A – 世界各大證券交易所的市值 (截至 2015 年 6 月底)

		Worldwide Ranking 世界排名	Ranking in Asia 亞洲排名	Market Capitalisation (US\$ billion) 市值 (以 10 億美元計)
US (NYSE Euronext)	美國 (紐約泛歐交易所集團)	1		19,237.43
US (Nasdaq OMX)	美國 (納斯達克 OMX)	2		7,243.28
China (Shanghai)	中國 (上海)	3	1	5,694.38
Japan (Japan Exchange Group) ¹	日本 (日本交易所集團) ¹	4	2	4,944.15
UK (London Stock Exchange Group) ²	英國 (倫敦交易所集團) ²	5		4,363.85
China (Shenzhen)	中國 (深圳)	6	3	3,907.21
Hong Kong ⁴	香港 ⁴	7	4	3,751.45
Europe (NYSE Euronext) ³	歐洲 (紐約泛歐交易所集團) ³	8		3,414.83
Canada (Toronto) ⁵	加拿大 (多倫多) ⁵	9		2,046.03
Germany (Deutsche Börse)	德國 (證券及衍生工具交易所)	10		1,752.56
India (Bombay)	印度 (孟買證券交易所)	11	5	1,599.68
Switzerland	瑞士	12		1,545.79
Korea	韓國	13	6	1,334.38
Australia	澳洲	14	7	1,239.84
Northern Europe (NASDAQ OMX Nordic Exchange) ⁶	北歐 (納斯達克 OMX) ⁶	15		1,237.97

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

⁶ Comprises Copenhagen, Helsinki, Iceland, Stockholm, Tallinn, Riga and Vilnius Stock Exchanges

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. Ranking excludes National Stock Exchange of India to avoid double counting with Bombay Stock Exchange.

Data downloaded on 20 Jul 2015.

Sources: WFE and Bloomberg



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



● 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

● 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



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