

Oct, 2013

Securities industry outlook: exemplified by KGI Securities

Disclaimer

This presentation has been prepared by China Development Financial Holding Corporation and/or its affiliates (together, “CDF” or the “Group”) for the exclusive use of the party to whom CDF delivers this presentation to (“Recipient”).

The information in this presentation should be considered in the context of the circumstances prevailing at the time of its presentation and has not been, and will not be, updated to reflect material developments which may occur after the date of this presentation. The slides forming part of this presentation have been prepared solely to support discussion about the Group with the Recipient.

This presentation also contains information and statistics relating to the banking and related industries. The Group has derived such information and data from unofficial and independent sources, without independent verification. The Group cannot ensure that these sources have compiled such data and information on the same basis or with the same degree of accuracy or completeness as are found in other industries. You should not place undue reliance on statements in this presentation regarding the banking and related industries. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of any information or opinion contained herein. None of the Group, or any of their respective directors, officers, employees, agents or advisers shall be in any way responsible for the contents hereof, or shall be liable for any loss whether directly or indirectly arising from use of the information contained in this presentation or otherwise arising in connection therewith.

This presentation has been prepared on a confidential basis solely for the use and benefit of the Recipient. Distribution of this presentation to any person other than the Recipient is unauthorized. This material must not be copied, reproduced, distributed or passed to others at any time, in whole or in part, without the prior written consent of the Group.

Contents

SECTION 1	Company profile	4
SECTION 2	Industry growth drivers	11
SECTION 3	Awards & honors of KGI	15
SECTION 4	Q&A	17

1. Company profile

Second largest securities company in Taiwan

Leading in innovation & internationalism

Summary Title

- A wholly-owned subsidiary of China Development Financial Holdings Corp. (CDF; 2883 TT). In June 2013, KGI further merged with Grand Cathay Securities, CDF's other securities subsidiary.
- Second largest securities firm in Taiwan in terms of market share. Principal activities are brokerage, investment banking and proprietary trading. All businesses rank in leading positions.
- Expansion into other Asian countries since 1996, earlier than and more successfully than peers. Presence in Hong Kong, Thailand and Singapore.

Key financial figures (as of June 30)

Total assets (NT\$bn)	154.56
Shareholders' equity (NT\$bn)	65.47
BVPS (NT\$)	14.24
Profit (NT\$bn)	1.47
EPS (NT\$)	0.32
ROE (%)	4.42%
No. of branches- Taiwan	105
Overseas	26
Credit rating- Taiwan Rating	twAA-
S&P	BBB

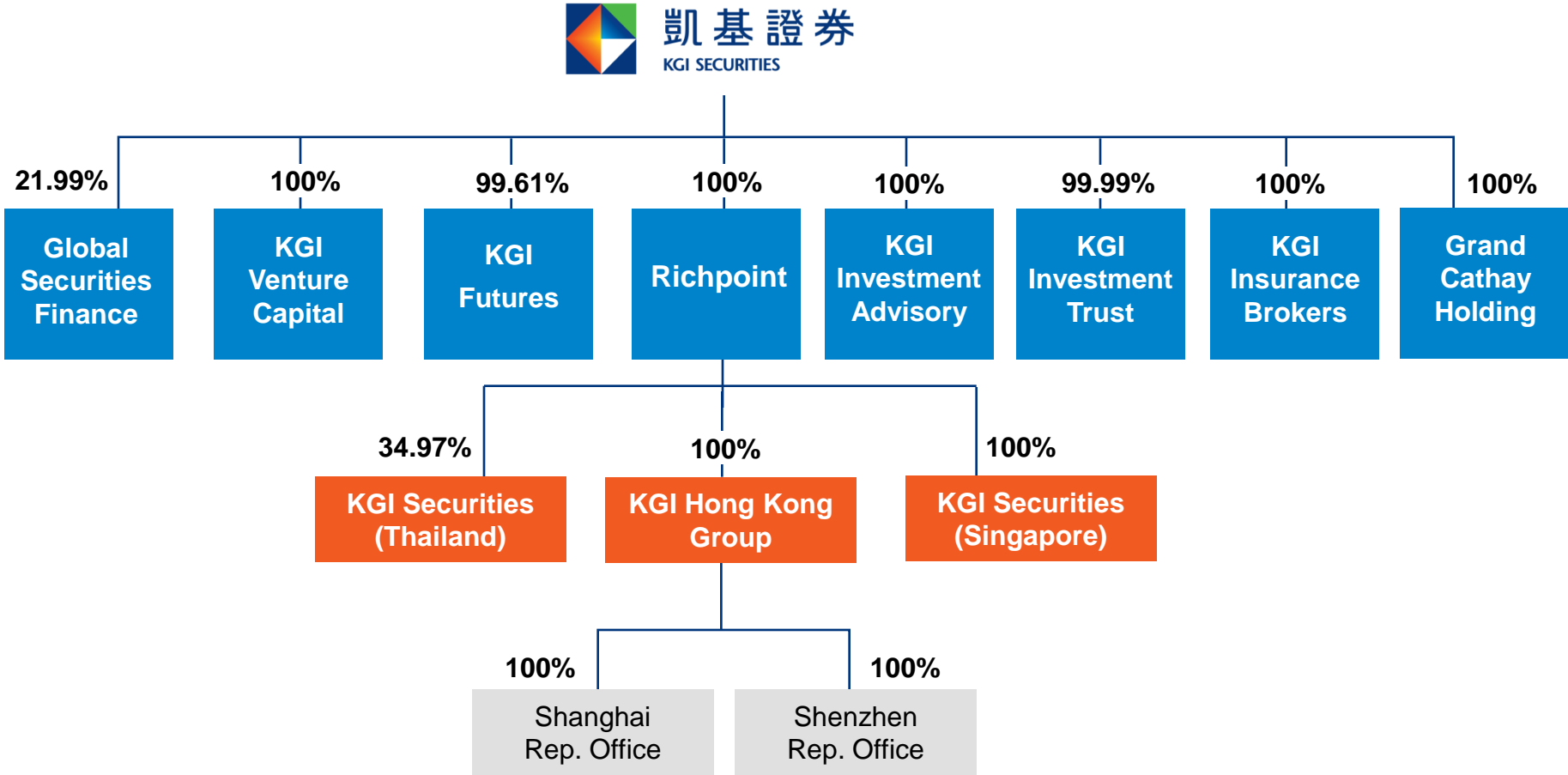
Leading position of KGI

KGI leads peers in all categories

	Business category	Indicator (market share)	Ranking
Distribution channel	Branches	105/ no. of branches	2
	Brokerage	9.1%	2
	Margin loan	10.6%	2
	FINI	5.2%	1
	Futures & options	13.8%	2
Innovation capability	Warrant	10.8%	2
	ASW	34.2%	2
	IRS	30.0%	1
	ELN	47.6%	1
	OTC Opt.	48.1%	1
Investment Banking	Stock underwriting	28.5%	1
	Stock underwriting	34/ no. of deals	1
	Lead manager	9/ no. of deals	1

Organizational chart of KGI Group

Full-service financial platforms in Taiwan



History of local and overseas growth

Growth in size and quality via M&A and efficient management

2013-15

To become Greater China regional leader, backed by resources of CDF

- Synergies from merger with CDF
- Strengthened fixed income and derivatives platforms in HK
- New growth driver – Entered China market in 2H13
- New growth driver – Overseas Securities Unit from 4Q13

1998-95

Establishment & listing in Taiwan

- Established in 1988
- Listed in Gretai market (OTC) in 1995
- No. of branches grew from 1 to 9; market share of 1.8%
- No presence overseas

1996-2004

Diversified growth strategy locally & overseas

- Grew local market share to 4.3% via M&A
- Developed non-brokerage businesses
- Engaged overseas markets by acquiring peers in Hong Kong, Thailand and Korea during Asia financial crises

2005-08

Reaping profit overseas

- Well operated cross-country management system
- Overseas profit accounted for over 30% (except 2005)
- Divested Korean subsidiary in 2008, for gain of NT\$2bn
- Searched for local M&A candidate with strong financial resources

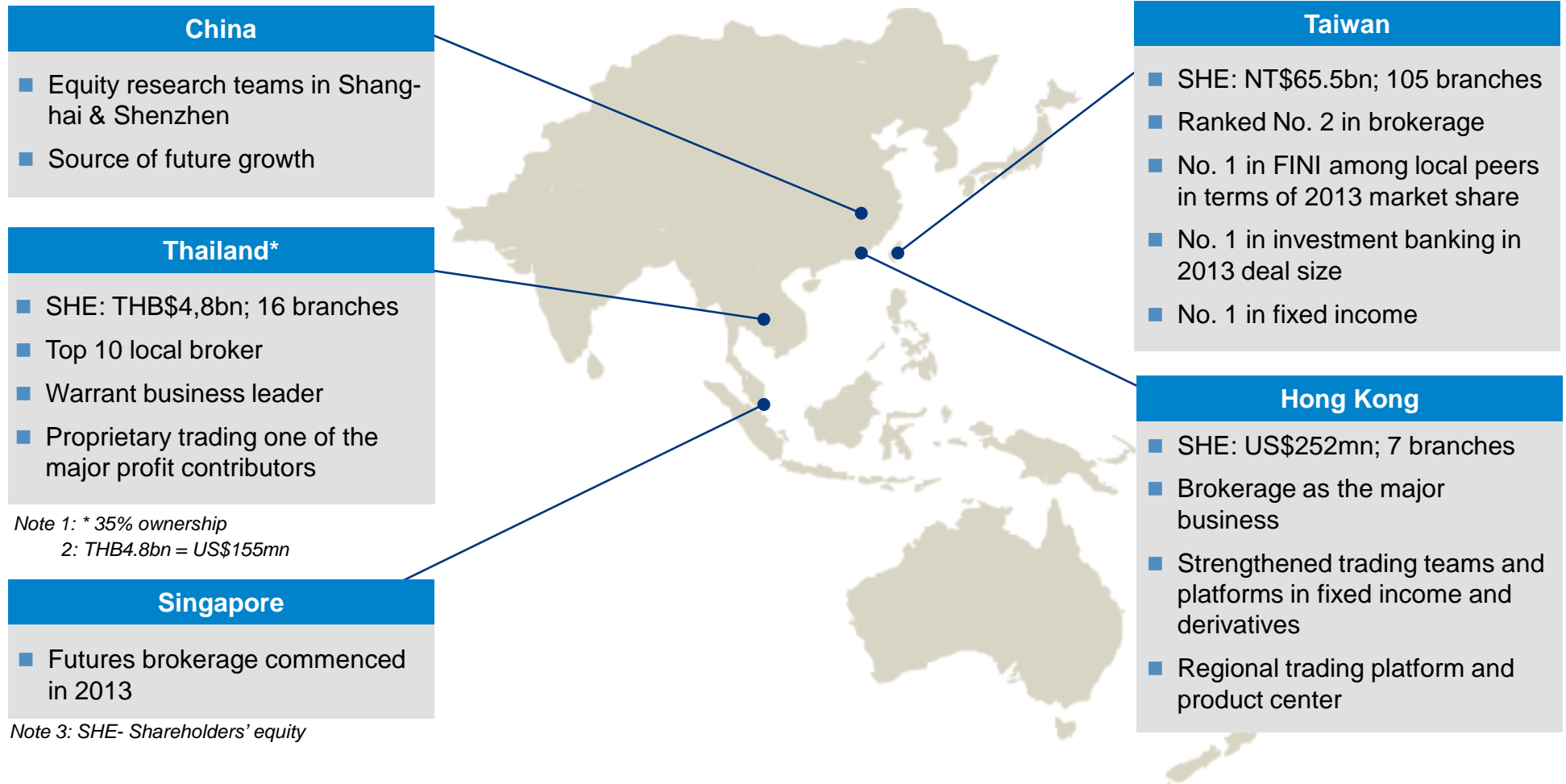
2009-12

Ranked No. 2 in Taiwan; merged by CDF

- Became No. 2 by acquiring Taishin Securities in 2009; market share rose from 3.4% to 7-8%
- Foreign holdings 30-40%
- CDF merged KGI in June 2012; KGI delisted in January 2013
- Futures brokerage commenced in Singapore in May 2013

Strong business deployment in Asia

Pursuing growth & diversification in Greater China & Southeast Asia

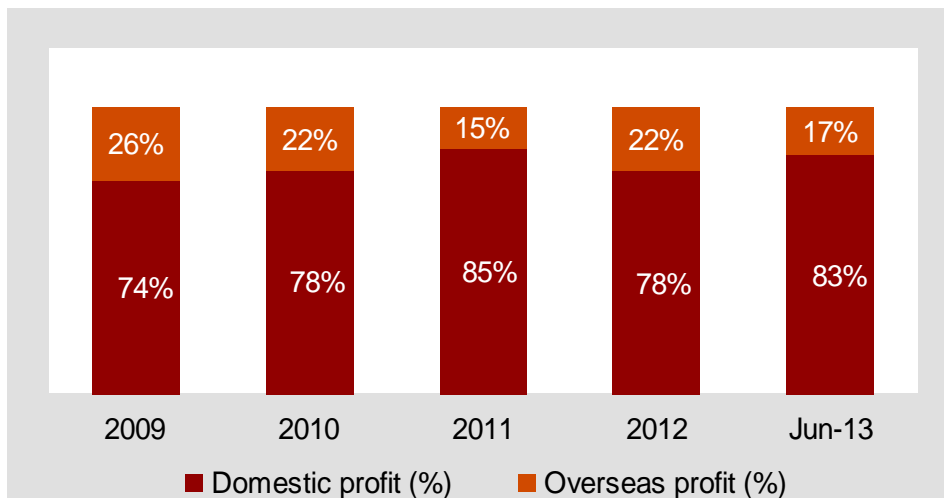


Highest overseas profit contribution among peers

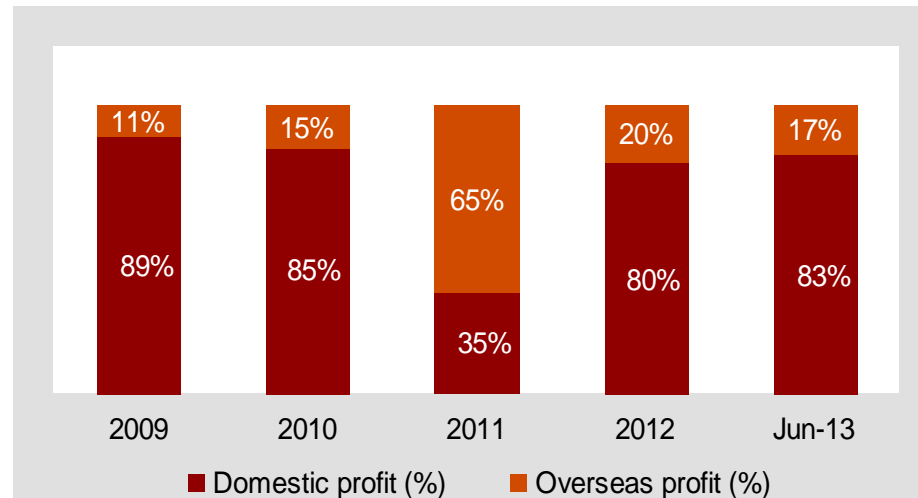
Geographically diversified revenue sources a stabilization factor

Profit contribution from overseas

KGI



KGI + Grand Cathay



Overseas Net Profit Contribution

		2009	2010	2011	2012	H1 2013
Hong Kong (incl. SG)	(NT\$m)	456	471	251	396	89
Thailand	(NT\$m)	71	245	170	134	161
Overseas Total	(NT\$m)	527	716	421	530	250

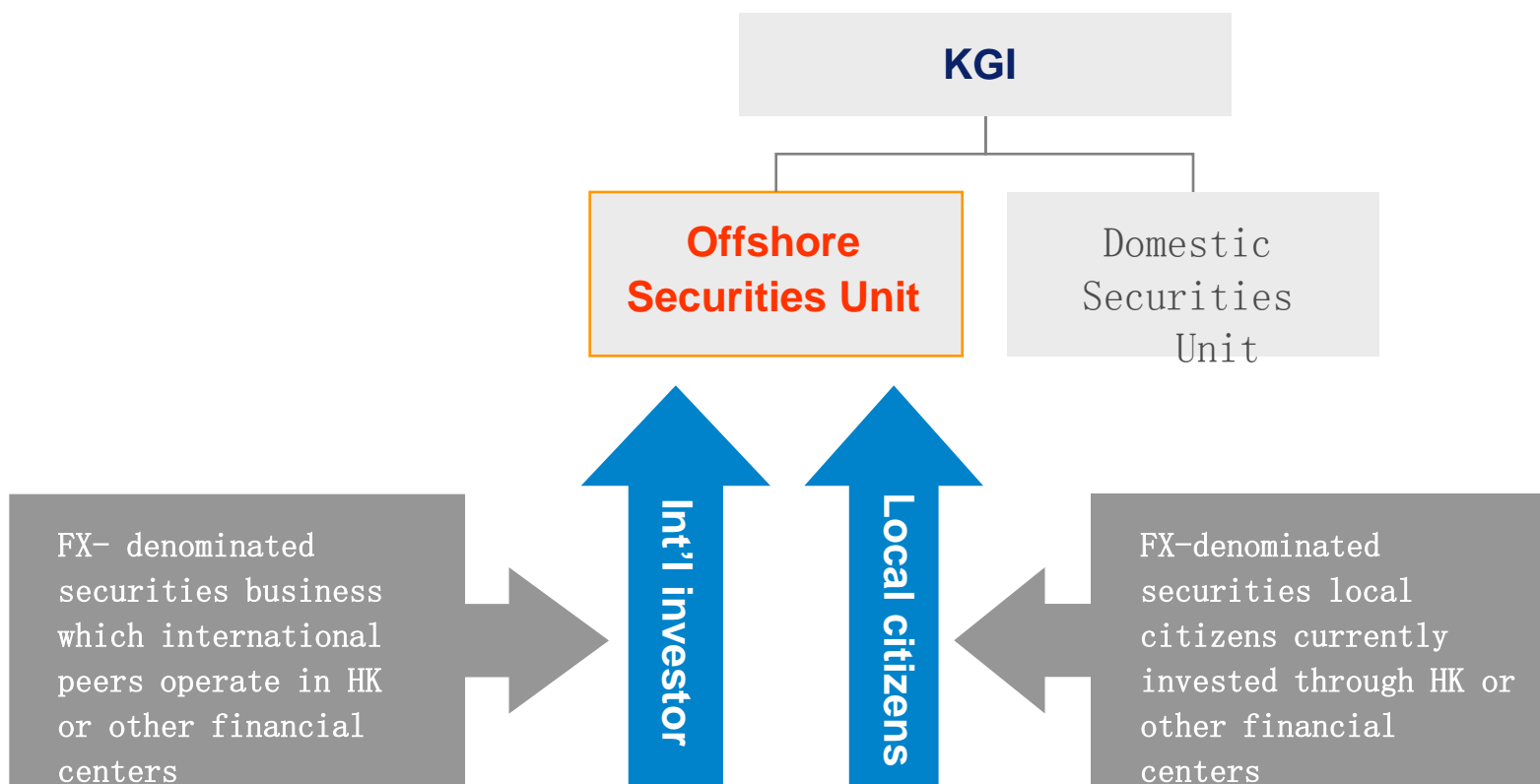
Note: 2011 overseas contribution reached 65% mainly due to NTD 1.4bn losses in GC-TW.

2. Industry growth drivers: offshore securities unit (OSU) & China market

Offshore Securities Unit (OSU) in Taiwan

OSU and further opening of China expected to be the new growth drivers

- An analogy using beef noodle: OBU FX business is the noodle.....



Onshore growth momentum: OSU

OSU business scope and tax benefit

- Noodle is required for beef noodle, chicken noodle, duck noodle, and etc...

Business scope

To operate foreign currency denominated security and financial product related services as:

- Agents
- Dealers
- Underwriters
- Asset management
- Discretionary account services

Tax benefit

- Exemptions from business income, business and stamp taxes, as well as no tax withholding on interest payments to OSU clients
- Such exemptions effect for 15 years

To further enlarge income source by expanding OSU business

Offshore growth momentum: China market

To engage China market via joint venture

Partner
in China



凱基證券
KGI SECURITIES



Short term goal: to build operation

- To build operation with the partner with combined resources and advantages of CDF and KGI to increase brand awareness in China

Mid term goal: to enlarge scale

- To acquire licenses of new businesses and further develop revenue and profit of the selected businesses

Long term goal: to become a leader

- To become a market leader in China in the strategic businesses

2. Awards and honors

Recent awards & honors (partial)

Acclaim from major international & local financial media and organizations

Equities

- **Asia Money 2012**
#2 Best local broker
#3 Overall country research
#2 Best roadshow & company visit
#3 Best execution
- **Asia Money 2011**
#2 Best local broker
#7 Overall country research

Fixed income

- **The Asset Magazine 2012**
Top bank in the secondary market for gov't bonds
- **Asia Money, the Asset Magazine and Finance Asia 2011**
Best domestic bond house
- **Central Bank of Taiwan 2011**
Best gov' t bond dealer
- **The Asset Magazine 2010**
Best domestic bond house

Investment banking

- **Taiwan Stock Exchange 2012**
Outstanding innovation award
- **World Finance 2011**
Best Investment bank
- **GreTai Securities Market 2011 (Golden Laureate Award)**
Excellent stock underwriter
Excellent issue of new financial products
- **Golden Goblet Award 2011**
Outstanding financial innovation

Corporate

- **The Banker 2013**
Top 500 most valuable banking brands
- **Interbrand 2011**
Top 20 Taiwan global brands
- **GreTai Securities Market 2011**
First class award in risk management assessment

4. Q&A