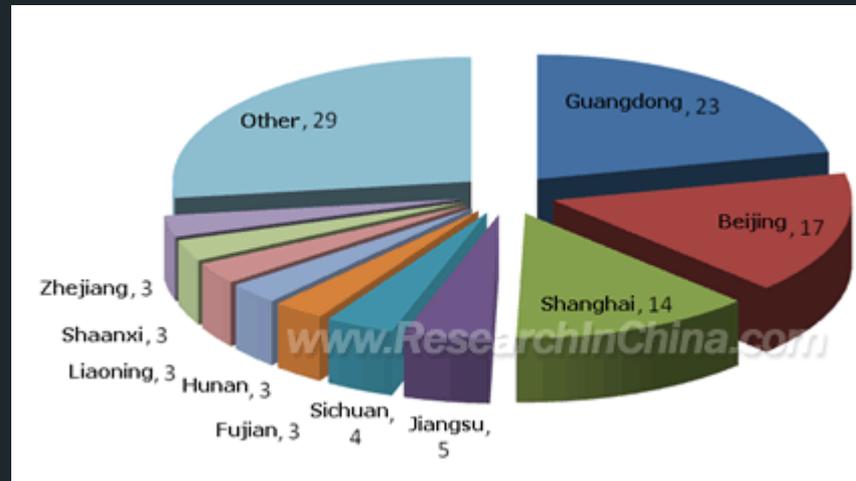


# China Securities Industry Report, 2009-2010



The end of June 2010 saw a total of 106 securities companies and 160,000 employees in the Chinese securities industry. In regard to regional distribution, Beijing, Shanghai and Guangdong possess the largest quantity of securities companies by 17, 14 and 23, respectively, a share of altogether 50.5%, followed by Jiangsu, Sichuan, Fujian, etc.

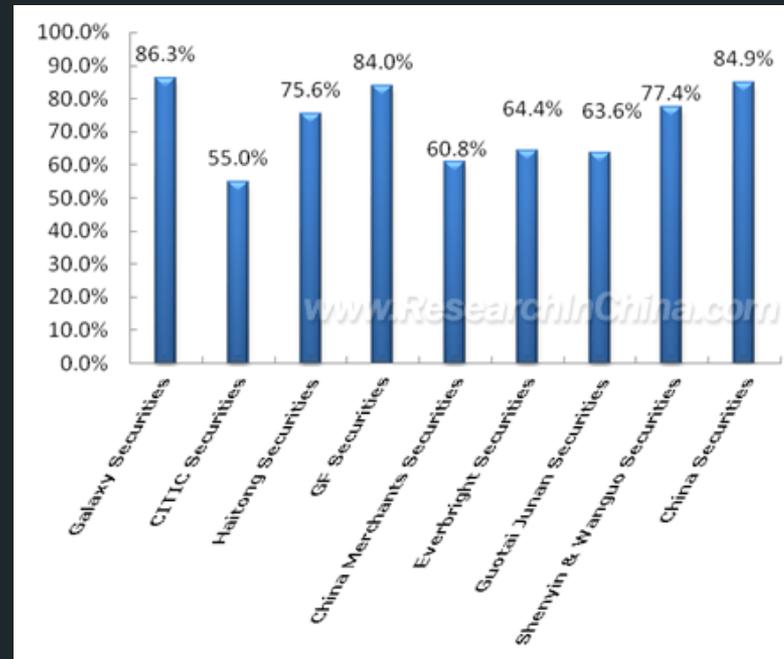
## Regional Distribution of Securities Companies in China, 2010



Source: ResearchInChina

In 2009, the operating income of Chinese securities companies added up to RMB205.3 billion, of which the revenue from brokerage reached RMB142.9 billion, accounting for 69.6%. However, the high proportion of brokerage led to the unfavorable revenue structure of securities companies as well as the vulnerability to stock fluctuations. The bad market environment in the first half of 2010 caused a sharp drop in their earnings from brokerage and proprietary business, but the investment banking service was exclusively highlighted.

## Brokerage Revenue Percentage of Partial Securities Companies, 2009



Source: Securities Association of China; ResearchInChina

Against the vigorous development of Chinese securities industry, foreign investment banks successively enter the Chinese market and develop their business mainly through two means: 1) to set up branches like representative offices to assist Chinese enterprises in overseas listing, financial consultancy, B-share trading, etc.; 2) to join hands with Chinese enterprises to establish securities joint ventures so as to obtain the qualifications for such businesses as securities brokerage and underwriting in Chinese securities market. Up till June 2010, there were altogether 9 foreign-funded joint stock securities companies in China.

## Foreign-funded Joint Stock Securities Companies in China

Name	Establishment	Parties Involved	Registration Place	Proportion of Foreign Shareholding
China International Capital Corporation Limited (CICC)	1995	China Jianyin Investment Securities, Morgan Stanley Bank International Limited, etc.	Beijing	34.3%
Everbright Securities	1996	China Everbright Group, China Everbright Limited, etc.	Shanghai	33.33%
BOC International (China) Limited	Mar. 29, 2002	BOC International Holdings Limited, China National Petroleum Corporation (CNPC), State Development & Investment Corporation (SDIC), etc.	Shanghai	49%
Fortune CLSA Securities (its forerunner as China Euro Securities Limited)	Apr. 25, 2003	CLSA Securities, Fortune Securities	Shanghai	33%
BNP Paribas China (already disintegrated)	Nov. 2003	Changjiang Securities, BNP Paribas	Shanghai	
Daiwa SSC Securities Co., Ltd.	Nov. 26, 2004	Shanghai Securities, Daiwa Securities SMBC Co., Ltd.	Shanghai	33%
Goldman Sachs Gao Hua Securities	Dec. 2, 2004	Gao Hua Securities, Goldman Sachs Group	Beijing	33%
UBS Securities	Sep. 27, 2005	Beijing Guoxiang Asset Management Co., Ltd., United Bank of Switzerland (UBS), China Jianyin Investment Securities, etc.	Beijing	20%
Credit Suisse Founder Securities	Jun. 13, 2008	Founder Securities, Credit Suisse	Beijing	33.3%
Zhong De Securities	Apr. 2009	Deutsche Bank, Shanxi Securities	Beijing	33.3%

Source: CSRC; ResearchInChina

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