



The Investment Scene in China

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Global center for innovation



Limitation

- Limited domestic market
- Relatively small capital market

Israel Firms



New market (i.e. China)

New Capital (i.e. Chinese VC/PE)

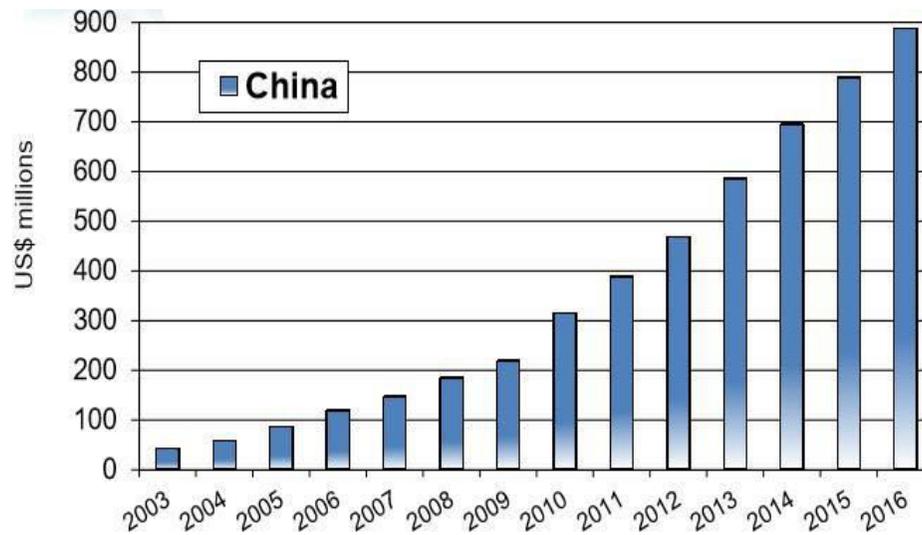
New Exit: Listing/M&A (i.e. Hong Kong/China)

Tencent M&A Case: Supercell

- Tencent acquired Supercell, a Finland computer game developer, for about nine billion US dollars.
- Supercell is a company with only six-year history and less than 200 people.
- Because its products appealed to China's vast consumer base: Tencent, a Chinese firm with over 300 million game players, was a great fit for Supercell.
- Tencent reported latest 3Q17 revenue grew 61.5% YoY to RMB65.2bn. Latest stock price HK\$412 with market cap more than US\$500bn (HK\$3920bn).

Huge Potential Market and Demand in China

- **A.O.Smith's sales in China has grown 22% (CAGR) over the last 10 years and is now 33% of its global sales**



China has 1.3 billion consumers and is the largest single consumer market in the world

John Deere is called "the BMW in a tractor" by Chinese farmers; AOSmith's revenue in China has grown at an annual rate of 22% over the past decade, and revenue Accounting for 33% of its global revenue, is currently the number one brand of water heater sales in China

This shows that successful overseas investment or cooperation should have four elements: the synergy with the Chinese market, post-investment integration, listing (or other capital market activities) and benefiting the home country

Innovative firms are popular in HKSE

- Latest case: **China Literature**, a Beijing-based online literary publication company, raised net proceeds of approximately HK\$7.174bn (USD 919.5m) through its IPO in Hong Kong

(stock price ends the IPO day at HK\$102.4, 86pc up from its IPO price of HK\$55, market cap of HK\$93bn, shares of China Literature had been overbought by more than 625 times)

- Another case: **Razer**, the San Francisco-headquartered gaming hardware maker, raised net proceeds of approximately HK\$3.93bn (USD 504m) through its IPO in Hong Kong

(stock price ends the IPO day at HK\$4.58, 18pc up from its IPO price of HK\$3.88, market cap of HK\$41bn, shares of Razer had been overbought by more than 291 times)

Innovative firms are popular in HKSE

- Israeli case: **Sisram Med**, an Israel-based medical aesthetic device maker, raised approximately HK\$688.7m (USD 88m) through its IPO in Hong Kong after pricing the shares at HKD 8.88 per share, equivalent to market cap of HK\$3.9bn, shares of Sisram Med had been overbought by more than 16.6 times

■ A Surge in China's Overseas Investment and New Trends

- In 2016, Chinese companies overseas mergers and acquisitions achieved substantial growth: the transaction amount soared 246% to 221 billion US dollars. Among them, 51 large-scale overseas investment transactions amount to more than 1 billion US dollars, almost double in 2015.
- this time the main targets are not resource entities but rather technology firms. Science and innovation companies are attracting the attention of vast capital in China. M&A has become a most popular avenue for growth among innovation companies all round the world, including China. Chinese companies are increasingly favoring the acquisition of technology and brands overseas and their introduction into the domestic market.
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- Private-owned companies dominate the overseas M & A market, trading three times more in 2016 and for the first time surpassing the total amount of state-owned companies' transactions (on the order of twice as many).
- The major investment areas for overseas M & A, the report shows that Chinese buyers still tend to look for the most advanced technology, platform, brand in developed countries and regions in Europe and the United States. Asia is also one of the emerging investment destinations because of its geographical location and the Belt and Road policy.

PE/VC and M&A market in China

- Chinese PE/VC funds financed USD 72.5 billions, 177% YoY growth, in year of 2016. Those Chinese funds (including Hong Kong) raised USD 532 billion in total, much higher than any other Asian funds, in the last 11 years since 2006.
- The top five sectors invested by Chinese PE/VC funds in 2016 were hi-tech, industrial, consumption related, financial services, and healthcare.

Introduction of China Construction Bank

Key Statistics

Market Cap 1.716 Trillion¹ HKD

Total Assets 25.93 Trillion² HKD

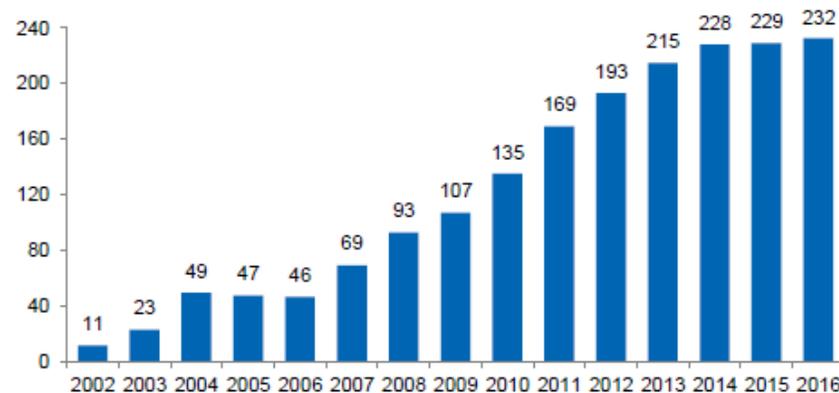
1. Source. Bloomberg as of Nov 17 2017

2. Source. Company Report as of Sep 30 2017

World Presence



Net Profit (RMB Billions)



Source: Company's 2016 annual report, data as at December 31, 2016

CCBI's Investment in Innovation:

- CCBI has lead the peers and many famous innovative companies with more than 10 billion US dollars market value have been invested and cultivated by CCBI such as DiDi, DJI and Toutiao.
- CCBI invested in more than half of China's top-10 unicorns.
- Best China VC & PE Top10 in 2016 by ChinaVenture ranking
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CCBI's Leading Position in Hong Kong IPO Business

Top 10 Hong Kong IPO advisors (1997)

1. Morgan Stanley
2. HSBC
3. Merrill Lynch
4. Barclays
5. Peregrine
6. Barings
7. J.P.Morgan
8. Jardine Fleming
9. Credit Suisse
10. Somerley

Chinese investment banks become main players in Hong Kong IPO financial advisor market:

- From 1997 to 2017, the main Hong Kong IPO advisor market players changed from foreign investment banks to Chinese firms. Nine of the ten biggest Hong Kong IPO advisor teams in 2017 are Chinese investment banks, leading by CCBI.

Source: Bloomberg

Top 10 Hong Kong IPO advisors (2017)

1. CCBI
2. Haitong Securities
3. ABCI
4. China Merchant Securities
5. CICC
6. Everbright Securities
7. BoA Merrill Lynch
8. BOCI
9. Guotai Junan Securities
10. CMBI



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