
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading integrated financial services provider in the PRC securities industry. We provide comprehensive securities services, including brokerage, sales and trading as well as investment banking and investment management.

Our principal business lines include:

<u>Brokerage, Sales and Trading</u>	<u>Investment Banking</u>	<u>Investment Management</u>	<u>Overseas Business</u>
<ul style="list-style-type: none">• Brokerage and wealth management• Institutional sales and investment research• Margin financing and securities lending• Proprietary trading and other securities trading services	<ul style="list-style-type: none">• Equity financing• Debt financing• Financial advisory	<ul style="list-style-type: none">• Asset management• Private equity investment	<ul style="list-style-type: none">• Brokerage and sales• Investment banking• Asset management

We are one of the largest brokerage service providers in the PRC.

- Our net revenue from securities brokerage business ranked first in the industry in each year from 2008 to 2012 among SAC members. Galaxy Futures, our futures business subsidiary ranked second among all futures subsidiaries of PRC securities firms and fifth among all PRC futures firms in terms of commission and fee income in 2011, according to the CFA.
- We have one of the largest client bases in the PRC securities industry, with approximately 5,573,000 brokerage clients in the PRC as at December 31, 2012. As at the same date, the aggregate market value of securities in our client accounts was approximately RMB1.8 trillion and our total client account balance was approximately RMB33.2 billion, both ranking first in the PRC securities industry, according to the CSDCC and the SAC.
- We have the most extensive securities brokerage network with the largest number of branches in the PRC securities industry. As at December 31, 2012, we had 229 securities brokerage branches strategically located in 30 provinces in the PRC. We have been rapidly transforming our traditional brokerage branches into wealth management centers that provide a comprehensive suite of brokerage and wealth management services.

We market and sell various securities trading services and financial products and provide research services to institutional investor clients. For 2012, our market share of commissions from management companies of publicly-raised funds ranked third in the industry. As at December 31,

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2012, our stock research services covered over 400 public companies in 24 industries in the PRC. In 2012, *New Fortune* ranked us the fourth “Most Influential Research Firm.”

We have developed various new capital-based intermediary businesses to better meet client needs for financing, investment and liquidity, and have been among the first securities firms approved by the PRC regulatory authorities to conduct such businesses. The balance of our margin financing and securities lending business had been growing rapidly in the Track Record Period, with a market share of 6.01% as at December 31, 2012. We have launched securities-based lending products, exchange-quoted bond repurchase products, market-making services and capital-based intermediary bulk trade services, and we endeavor to continuously develop other new securities trading services and products.

We have leading investment banking expertise in the PRC securities industry. As of December 31, 2012, we participated in all of the ten largest IPOs in the PRC in terms of offering amount, including transactions that Galaxy Limited participated in. As of December 31, 2012, we had acted as a lead underwriter in 68 equity financing transactions with an aggregate offering amount of approximately RMB203.0 billion, and 178 debt financing transactions with an aggregate offering amount of approximately RMB308.5 billion, including transactions underwritten by Galaxy Limited, according to Wind Info. We ranked first in the industry in terms of the aggregate amount of enterprise bonds underwritten for three consecutive years from 2009 to 2011, and ranked second in 2012, according to Wind Info.

In addition, our investment management business has grown rapidly in 2012. As at December 31, 2012, the total amount of AUM of our collective asset management plans was RMB2,912 million, and the total amount of AUM of our targeted asset management plans was RMB13,148 million.

We currently operate our overseas business through Galaxy International Holdings, our Hong Kong subsidiary established in February 2011. We intend to leverage Galaxy International Holdings as our first platform to develop overseas business, and plan to further explore other overseas growth opportunities as they arise.

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The following table sets forth the industry ranking and market share of our primary businesses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2010	2011	2012
Total revenue			
Ranking	5	5	6
Market share	3.93%	4.10%	3.89%
Net revenue from securities brokerage business			
Ranking	1	1	1
Market share	5.24%	5.18%	5.23%
Commission and fee income from futures brokerage business			
Ranking	8	5	Not available
Market share	2.38%	2.68%	Not available
Balance of margin financing and securities lent (as at the end of period)			
Ranking	10	9	7
Market share	4.17%	6.70%	6.35%
Amount of equity and debt securities underwritten as a lead underwriter			
Ranking	7	8	8
Market share	4.58%	4.21%	4.41%
Net revenue from asset management business			
Ranking	20	24	24
Market share	1.43%	1.28%	1.22%

Source: the SAC, the CFA, the SSE and the Shenzhen Stock Exchange.

For the awards and recognitions that we have received, please see “Business—Overview” in this prospectus on page 139. For more information on our business, please see “Business—Our Business” in this prospectus on page 154.

RISK MANAGEMENT

Since 2007, we have established sound corporate governance as well as effective risk management and internal control systems to manage our risk exposure to the securities market. Prior to 2010, the CSRC assigned us an “A” regulatory rating in 2008 (the year in which the CSRC started to assign regulatory ratings to PRC securities firms) and 2009, respectively. Recognizing our sound capital base as well as our effective risk management and internal control systems, the CSRC assigned us an “AA” regulatory rating, which is currently the highest rating achieved by PRC securities firms, in 2010, 2011 and 2012. For more information on our internal control and risk management, please see “Business—Risk Management” in this prospectus on page 180. However, during the Track Record Period, we and our employees were involved in regulatory non-compliance incidents (i) that led to regulatory measures and the deduction of regulatory points by the CSRC or fines imposed by the PBOC, or (ii) in which our employee was prosecuted or convicted. Please see “Business—Laws and Regulations—Regulatory Non-compliance” in this prospectus on page 202 for more information.

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COMPETITIVE STRENGTHS

As a leading integrated financial service provider in the PRC securities industry, we believe the following strengths distinguish us from our competitors:

- one of the largest brokerage service providers in the PRC with significant scale advantages;
- largest network of strategically located branches with leading financial product distribution capabilities;
- one of the largest client bases in the PRC securities industry, providing a solid foundation for cross-selling and new business development;
- leading investment banking expertise, providing strong support for expansion in growing segments of the investment banking business;
- first-mover advantages in new businesses and outstanding product innovation capabilities, enabling us to stay at the forefront of industry transformation;
- unique advantages from our history, brand and shareholder background, underpinning our business strategies and operations;
- advanced IT infrastructure as well as prudent and effective risk management and internal control; and
- experienced management with global vision leading a team of high-quality professionals.

BUSINESS STRATEGIES

We aim to become a large, globally competitive, integrated financial services provider that leads the development trends in the PRC securities industry. Our brokerage, sales and trading business, or “BS&T” business, is the core of our business model while our investment banking and investment management businesses are the “two wings.” We seek to capture growth opportunities in the PRC securities market and increase our profits through executing client-centric, innovation-driven strategies that are focused on balanced and synergistic growth among our business lines. Our business strategies include the following:

- build the most competitive BS&T business in the PRC securities industry:
 - further strengthen the leadership position of our brokerage business, and enhance our business scale through consolidation and organic growth;
 - continue to upgrade our retail platform to multi-level, full-range wealth management services, and focus on improving our distribution capabilities and share of wallet with high-end clients;
 - strengthen our sales and service capabilities for institutional investor clients and increase our market share in this growth segment;
 - expand our securities trading services through product innovation and internal collaboration to further drive growth;
- develop our investment banking business through synergistic collaboration with our BS&T platform, solidify our leadership in traditional segments and expand into the emerging growth segments;

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- develop our investment management business through synergistic collaboration with our BS&T platform, and build multi-tiered and diverse product offerings;
- steadily expand our international business and build an integrated overseas platform;
- improve our return on equity by better deploying assets and utilizing leverage;
- enhance risk management capabilities throughout our entire business operation, and strengthen capital management, internal control and IT capabilities to improve overall operational efficiency; and
- further improve our human resources management through a performance-based system that effectively attracts, incentivizes and retains talent.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The following tables set forth our summary consolidated financial information for the years ended December 31, 2010, 2011 and 2012 and as at December 31, 2010, 2011 and 2012. We have derived the summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The following summary should be read together with, and is qualified in its entirety by reference to, the consolidated financial information in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" in this prospectus on page 259.

Summary Consolidated Income Statements

	For the year ended December 31,		
	2010	2011	2012
	(in millions of RMB)		
Revenue			
Commission and fee income	6,869.2	4,664.2	3,830.5
Interest income	1,243.2	1,629.3	1,698.7
Net investment gains	313.6	104.4	394.8
Total revenue	8,426.0	6,397.9	5,924.0
Other income and gains	34.2	33.2	37.6
Total revenue and other income	8,460.2	6,431.1	5,961.6
Total expenses	(4,569.6)	(4,170.1)	(4,075.3)
Profit before income tax	3,890.6	2,261.0	1,886.3
Income tax expense	(1,100.1)	(676.2)	(453.8)
Profit for the year	2,790.5	1,584.8	1,432.5
Attributable to the owners of the Company	2,777.0	1,578.1	1,419.8
Attributable to non-controlling interests	13.5	6.7	12.7

Our total revenue and other income decreased by 24.0% in 2011 compared to 2010 and further decreased by 7.3% in 2012. Our profit for the year decreased by 43.2% in 2011 compared to 2010 and further decreased by 9.6% in 2012. The decrease in our total revenue and other income and profit for the year from 2010 to 2012 was primarily due to the decrease in our commission and fee income as a

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result of the declined stock trading turnover and average commission rate from 2010 to 2012, reflecting the depressed PRC stock markets and intensified competition among securities companies in the PRC.

Summary Consolidated Statements of Financial Position

	As at December 31,		
	2010	2011	2012
	(in millions of RMB)		
Non-current assets	1,940.0	1,856.5	2,019.1
Current assets	92,324.6	57,358.2	62,276.4
Total assets	94,264.6	59,214.7	64,295.5
Current liabilities	79,719.9	43,087.9	46,736.7
Total liabilities	79,719.9	43,087.9	46,736.7
Total equity	14,544.7	16,126.8	17,558.8
Equity attributable to owners of the Company	14,460.2	16,004.1	17,429.8
Non-controlling interests	84.5	122.7	129.0

The following table sets forth the key measurements of our profitability for the periods indicated.

	For the year ended December 31,		
	2010	2011	2012
	(in millions of RMB, except percentages)		
Operating profit ⁽¹⁾	3,856.4	2,227.8	1,848.7
Operating margin ⁽²⁾	45.8%	34.8%	31.2%
Adjusted operating margin ⁽³⁾	48.9%	37.6%	33.4%
Profit for the year	2,790.5	1,584.8	1,432.5
Net margin ⁽⁴⁾	33.1%	24.8%	24.2%
Adjusted net margin ⁽⁵⁾	35.4%	26.8%	25.9%

(1) Calculated as the difference between total revenue and total expenses.

(2) Calculated by dividing the operating profit by total revenue.

(3) Adjusted operating margin = (total revenue - total expenses)/(total revenue - commission and fee expenses - interest expenses). Prospective investors should be aware that adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies due to different calculation methods or assumptions.

(4) Calculated as dividing the profit for the year by total revenue.

(5) Adjusted net margin = (profit for the year)/(total revenue - commission and fee expenses - interest expenses).

Adjusted operating margin and adjusted net margin are not standard measurements under IFRS but are presented here because PRC securities companies present their operating revenues after deduction of commission and fee expenses and interest expenses under PRC GAAP, which is different from the practices for presenting the gross revenue under IFRS. We believe that, the adjusted operating margin and adjusted net margin provide appropriate indicators of our results of operations that are more comparable to other PRC securities companies due to different presentation requirements under PRC GAAP.

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The following table sets forth the type of revenue derived in each of our business segments and the key factors affecting the revenues and other income of each of our business segments.

<u>Business line</u>	<u>Business segment</u>	<u>Type of revenue</u>	<u>Key factors affecting the revenue and other income</u>
Brokerage, sales and trading	Securities brokerage	Commission and fee income, interest income	Trading turnover in the PRC securities market, competition in the PRC securities brokerage segment, securities brokerage commission rate, deposits we hold on behalf of our clients, advances to clients in our margin financing and securities lending business and the interest rate environment in the PRC
	Futures brokerage	Commission and fee income, interest income	Trading turnover in the PRC futures market, competition in the PRC futures brokerage segment, futures brokerage commission rate, margin deposit from our clients and the interest rate environment in the PRC
	Proprietary trading and other securities trading services	Investment gains	Market conditions in the PRC stock and bond market and our investment strategies
Investment banking	Investment banking	Underwriting and sponsors fees income, consultancy and financial advisory fee income	Financing activities by the PRC enterprises, competition in the securities underwriting and sponsoring segment, underwriting commission rate and sponsors fee rate, corporate M&A and restructuring activities and competition in the financial advisory services segment
Investment management	Asset management	Asset management fee income	Our AUM and rates for asset management fees and performance fees
	Private equity investment	Investment gains, interest income	The number of and the gains from investments that we exit, market conditions in the PRC stock market and the interest rate environment in the PRC
Overseas business	Overseas business	Commission and fee income, interest income, underwriting and financial advisory fee income	Trading turnover and corporate financing amount in the Hong Kong securities market and competition in the Hong Kong securities and futures market
Other	Others	Interest income	The balance of our own bank deposits and the interest rate environment in the PRC

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For the year ended December 31,

	2010			2011			2012		
	Revenue	% of total	Segment margin (%)	Revenue	% of total	Segment margin (%)	Revenue	% of total	Segment margin (%)
(in millions of RMB, except percentages)									
Brokerage, sales and trading									
Securities brokerage	6,868.4	81.2%	53.5%	4,918.2	76.5%	39.3%	4,081.0	68.4%	35.7%
Futures brokerage	304.3	3.6	28.9	387.7	6.0	28.8	521.2	8.7	31.2
Proprietary trading and other securities trading services	323.0	3.8	64.1	118.8	1.8	30.4	401.5	6.7	59.0
Investment banking	740.1	8.8	39.6	682.5	10.6	37.7	684.9	11.5	41.1
Investment management									
Asset management ⁽¹⁾	61.1	0.7	(67.4)	31.1	0.5	(45.3)	44.8	0.8	(64.7)
Private equity investment	27.1	0.3	43.9	27.7	0.4	2.9	25.2	0.4	7.9
Overseas business⁽²⁾	—	—	—	4.3	0.1	(241.9)	33.5	0.6	(105.4)
Others⁽³⁾	141.4	1.7	(242.4)	267.0	4.2	(20.7)	176.1	3.0	(107.5)
Inter-segment eliminations	(5.2)	(0.1)	—	(6.2)	(0.1)	—	(6.6)	(0.1)	—
Total	<u>8,460.2</u>	<u>100.0%</u>		<u>6,431.1</u>	<u>100.0%</u>		<u>5,961.6</u>	<u>100.0%</u>	

- (1) We started our asset management business in 2009. We incurred a substantial amount of expenditures in 2010 and 2011 because of our spending for strategic purposes to build up the business scale and professional team in the early stage of developing our asset management business. In addition, the weak performance of the PRC securities market since 2010 lowered investors' willingness to subscribe for asset management products investing primarily in equity securities, which resulted in decreases in the asset management fees and performance fees we received in 2011 compared to those we received in 2010. Although the revenue and other income from our asset management business increased in 2012, our expenses for this business also increased in 2012 because of a provision of RMB30.0 million we made for our own investments in our collective asset management plans in accordance with our accounting policies and general provisioning practices of other PRC securities companies that require provisioning for an investment, the value of which is lower than 50% of its book value or has been below its book value for more than one year. The value of our investments in our collective asset management plans has been continuously below the book value primarily attributable to the weak market performance in the PRC. Therefore, we had operating loss for our asset management business in 2010, 2011 and 2012. For more information, see "Financial Information—Summary Segment Results—Asset Management."
- (2) We established Hong Kong-based Galaxy International Holdings, our wholly-owned subsidiary, in 2011 to conduct our overseas business. We had operating loss for our overseas business in 2011 and 2012 because our overseas business was in the early stage of development and investment.
- (3) The revenue of others segment mainly includes interest income from our own bank deposits and our treasury management activities. The expenses at our headquarters level consist primarily of general and administrative expenses incurred for various management functions to support business operations. We had loss for others segment in 2010, 2011 and 2012 because the interest income from our own bank deposits was insufficient to cover the general and administrative expenses incurred for our headquarters' management functions.

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The following table sets forth the key operating data of our PRC business for the periods indicated.

	<u>For the year ended December 31,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Trading turnover of brokerage business (in billions of RMB) ⁽¹⁾	15,222.3	13,811.5	17,052.0
Average securities brokerage commission rate ⁽²⁾	0.103%	0.083%	0.083%
Balance of margin financing and securities lent (in millions of RMB) (as at the end of period)	533.0	2,558.2	5,376.9
Average interest rate for margin financing and securities lent (annualized) ⁽³⁾ . . .	7.17%	8.75%	8.74%
Amount of equity securities underwritten as a lead underwriter (in millions of RMB)	26,341.3	11,595.5	9,184.1
Amount of debt securities underwritten as a lead underwriter (in millions of RMB)	46,561.0	33,469.0	68,229.0
AUM (in millions of RMB)	1,994	1,802	16,060

(1) The trading turnover of our brokerage business includes trading turnover of stocks, warrants, funds, bonds and futures.

(2) Average securities brokerage commission rate = commission and fee income on securities brokerage / trading turnover of stocks and funds.

(3) Calculated based on monthly average balance of margin financing and securities lent. We started margin financing and securities lending business in July 2010. The average interest rate for 2010 is annualized interest rate.

RECENT DEVELOPMENTS

Based on our unaudited management accounts, for the three months ended March 31, 2013, our total revenue and other income increased by 28.0% to RMB1,977.3 million compared to RMB1,544.6 million for the same period of 2012, reflecting that:

- our commission and fee income increased by 22.3% to RMB1,243.4 million in the first quarter of 2013 compared to RMB1,016.9 million for the same period of 2012. This increase was primarily due to a 32.2% increase in our commission and fee income on securities brokerage primarily generated by our securities brokerage business from RMB739.6 million in the first quarter of 2012 to RMB977.8 million in the first quarter of 2013, which was partially offset by (i) a 18.2% decrease in our underwriting and sponsors fees generated by our investment banking business from RMB169.6 million in the first quarter of 2012 to RMB138.8 million in the first quarter of 2013 and (ii) a 8.9% decrease in our commission and fee income on futures brokerage generated by our futures business from RMB92.0 million in the first quarter of 2012 to RMB83.8 million in the first quarter of 2013;
- our interest income increased by 14.1% to RMB499.0 million in the first quarter of 2013 compared to RMB437.2 million for the same period of 2012. This increase was primarily due to a 159.9% increase in our interest income from advances to customers and securities lending primarily generated by our margin financing and securities lending business from RMB63.8 million in the first quarter of 2012 to RMB165.8 million in the first quarter of 2013, which was partially offset by a 15.8% decrease in our interest income from deposits with banks and non-bank financial institutions from RMB366.5 million in the first quarter of 2012 to RMB308.6 million in the first quarter of 2013;
- our net investment gains primarily generated by our proprietary trading and other securities trading services increased by 174.6% to RMB232.0 million in the first quarter of 2013 compared to RMB84.5 million for the same period of 2012; and
- our other income and gains decreased by 49.2% to RMB3.0 million in the first quarter of 2013 compared to RMB5.9 million for the same period of 2012.

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Our profit before income tax increased by 44.9% to RMB847.6 million for the three months ended March 31, 2013 compared to RMB584.8 million for the same period of 2012.

For further information on our financial information for the three months ended March 31, 2013 and March 31, 2012, please refer to the section headed “Recent Developments” and Appendix I-A “Unaudited Condensed Consolidated Financial Statements” in this prospectus.

Our average commission rate was 0.085% for the three months ended March 31, 2013, compared to 0.081% for the same period of 2012. For the three months ended March 31, 2013, our stocks and funds trading turnover amounted to RMB1,146.7 billion, representing an increase of 25.9% from RMB910.9 billion for the same period of 2012. The stock trading turnover in the PRC stock market amounted to RMB11,226.5 billion in the three months ended March 31, 2013, representing an increase of 26.3% compared to RMB8,892.0 billion in the same period of 2012. However, we cannot assure you that the PRC securities market performance will continue to remain at the same level for the rest of 2013 or beyond as it was in the first quarter of 2013 because it is subject to fluctuations caused by various factors, including volatility of stock prices and trading volumes, the supply of liquidity, the PRC Government’s policies and the general economic and market conditions in China. Although our business is highly correlated with the PRC stock market, and our results of operations and financial position may be adversely affected by market fluctuations, we aim to maintain the steady growth of our business primarily by developing our capital-based intermediary securities trading business and wealth management business, enhancing product innovation and strengthening sales and service capabilities.

On April 1, 2013, the PBOC approved that we may, at our discretion, issue short-term notes in an aggregate principal amount of up to RMB7.0 billion within a one-year period. We issued the first tranche of fixed interest rate short-term notes in a principal amount of RMB3.5 billion on April 12, 2013 in the national interbank bond market through a bidding process. This tranche of short-term notes has a term of 90 days, an interest rate of 3.58%, an issuer rating of AAA and an issuance rating of A-1. The proceeds raised from this first tranche of short-term notes will be used to replenish our working capital. We intend to issue additional short-term notes, subject to regulatory approvals and market conditions.

In addition, at a Shareholders’ meeting on April 24, 2013, our Shareholders authorized us to issue corporate debt financing instruments, which may take the form of short-term notes (up to 60% of our Net Capital), financial bonds, short-term and long-term subordinated bonds and other debt instruments, in the aggregate outstanding principal amount of up to RMB20 billion to be issued over a three-year period based on our liquidity needs, subject to regulatory approvals. The debt instruments we intend to issue will increase our indebtedness and interest expense, yet we expect them to improve our return on equity by increasing our leverage ratio. We believe that issuing debt financing instruments can provide us with external funds at a lower cost to support our fast-growing businesses.

USE OF PROCEEDS

Assuming an Offer Price of HK\$5.88 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$4.99 and HK\$6.77 per H Share), we estimate that we will receive net proceeds of approximately HK\$8,491.2 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering, and (ii) the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised.

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In line with our business strategies of developing a business model with the “BS&T” business as the core and the investment banking and investment management as the “two wings,” we intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below:

- approximately 60%, or HK\$5,094.7 million to be used to further develop our margin financing and securities lending business
- approximately 25%, or HK\$2,122.8 million to be used to develop our capital-based intermediary securities trading business
- approximately 15%, or HK\$1,273.7 million to be used to expand our capital investment business subject to effective risk control

We intend to use the net proceeds from the Global Offering for margin financing and securities lending, capital-based intermediary securities trading business and capital investment business, which we believe are more capital-intensive and require the most capital for future development among all of our business lines. We will use our own funds and other funding sources, if needed, to develop other businesses, including securities brokerage, futures brokerage, wealth management, institutional sales, investment research, investment banking, asset management and overseas businesses.

To the extent that our net proceeds are either more or less than HK\$8,491.2 million, we will adjust our allocation of the net proceeds for the above purposes on a *pro rata* basis. For further details, please see “Future Plans and Use of Proceeds—Use of Proceeds” in this prospectus on page 317. Before we obtain the necessary approvals from relevant PRC authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi. Please see “Risk Factors—Risks Relating to the PRC—Government control of currency conversion may adversely affect the value of your investments.”

The net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering are estimated to be approximately HK\$397.8 million, after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholder in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$5.88 per Offer Share, being the midpoint of the estimated Offer Price range. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder. In accordance with the relevant PRC laws and regulations, the net proceeds from the sale of the Sale Shares will be remitted to the NSSF.

CAPITAL ADEQUACY AND RISK CONTROL INDICATOR

Pursuant to the CSRC’s Administrative Measures for Risk Control Indicators of Securities Companies, or the Risk Control Indicators Measures, we have established a dynamic Net Capital monitoring mechanism to comply with statutory Net Capital requirements and other regulatory standards for capital adequacy. In addition, we also need to maintain a minimum amount of Net Capital to conduct our margin financing and securities lending, asset management and underwriting businesses. As at December 31, 2010, 2011 and 2012 and as at March 31, 2013, we were in compliance with all of the capital adequacy and risk control indicator requirements. As at December 31, 2012, our Net Capital amounted to RMB13,508.3 million.

In addition to the risk control indicators mentioned above, the Risk Control Indicator Measures require us to comply with other requirements when we engage in proprietary trading and margin

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financing and securities lending businesses. We closely monitor all risk control indicators when conducting our proprietary trading and margin financing and securities lending businesses. During the Track Record Period, we had no non-compliances with these risk control indicators nor did we receive any warnings or penalties imposed by the CSRC.

For more information, please see “Financial Information—Capital Adequacy and Risk Control Indicator” in this prospectus on page 305.

OFFERING STATISTICS

All statistics in the following table do not give effect to the A Share Offering, and are based on the assumptions that: (i) the Global Offering has been completed and 1,500,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option is not exercised and (iii) 7,500,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	<u>Based on an Offer Price of HK\$4.99</u>	<u>Based on an Offer Price of HK\$6.77</u>
Market capitalization	HK\$37,425 million	HK\$50,775 million
Historical price/earnings multiple		
(a) pro forma basis ⁽¹⁾	21.1 times	28.7 times
(b) weighted average basis ⁽²⁾	19.5 times	26.4 times
Unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders ⁽³⁾⁽⁴⁾	HK\$3.76	HK\$4.11

(1) The calculation of historical price/earnings multiple is based on the earnings per Share for the year ended December 31, 2012, on a pro forma basis at the respective Offer Prices of HK\$4.99 and HK\$6.77 per H Share, assuming a weighted average of 7,500,000,000 Shares issued and outstanding during the year ended December 31, 2012. The weighted average of 7,500,000,000 Shares is calculated on the basis that there were 6,000,000,000 Shares issued and outstanding as at December 31, 2012 and the 1,500,000,000 H Shares to be issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on December 31, 2012.

(2) The calculation of historical price/earnings multiple is based on the earnings per Share for the year ended December 31, 2012, on a weighted average basis at the respective Offer Prices of HK\$4.99 and HK\$6.77 per H Share, assuming a weighted average of 6,918,956,044 Shares issued and outstanding during the year ended December 31, 2012. The weighted average of 6,918,956,044 Shares is calculated based on the 6,000,000,000 Shares issued and outstanding as at December 31, 2012, and the 1,500,000,000 H Shares to be issued pursuant to the Global Offering on the assumption that the H Shares will be listed on May 22, 2013.

(3) The unaudited pro forma adjusted net tangible asset value per Share attributable to our Shareholders is calculated after making the adjustments referred to in Appendix II to this prospectus and based on the 7,500,000,000 Shares expected to be in issue immediately following the completion of the Global Offering. This calculation does not include the impact of issuance of A Shares.

(4) On January 25, 2013, our Shareholders approved a cash dividend (the “Special Dividend”), in respect of the period from January 1, 2013 to the last day of the month immediately prior to the completion of our initial public offering (the “Special Dividend Date”), to Shareholders on our register of members as of the Special Dividend Date. The amount of the Special Dividend will be determined based on the audited unconsolidated net profit of our Company in accordance with PRC GAAP or IFRS, whichever is lower.

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share have not taken into account the effect of the Special Dividend. If the Special Dividend has been accounted for, the unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share would be reduced.

A SHARE OFFERING

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable, and possibly sometime after the Global Offering. The total A Shares and H Shares to be issued in our A Share Offering and Global Offering shall be no more than 35.0% of the enlarged share capital (including Shares that may be issued under any over-allotment option of A Share Offering and Global Offering). We currently expect our A Share Offering, with or without exercise of

SUMMARY

an over-allotment option, to comprise not more than 1,730,769,231 A Shares, all of which will be newly issued shares, and will be within the limits approved by the relevant regulatory authorities.

Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the earnings per share of our Company for the year ended December 31, 2012 on a fully-diluted basis will be RMB0.19 and the percentage of our H Shares held by the public will be 20.90% of the total issued share capital of our Company. If we issue 1,730,769,231 A Shares in our A Share Offering, upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the A Share Offering, the earnings per share of our Company for the year ended December 31, 2012 on a fully-diluted basis will be RMB0.15 and the percentage of our H Shares held by the public will be 17.88% of the total issued share capital of our Company. Other than such dilution effect to holders of our H Shares, the rights of the holders of our H Shares will not be affected by our A Share Offering.

DIVIDEND POLICY

In 2010, we declared cash dividends of RMB1,200.0 million for the year of 2009 to our Shareholders. We did not declare cash dividends to our Shareholders in 2011 and 2012.

At an extraordinary general meeting of Shareholders on January 25, 2013, our Shareholders approved a cash dividend (the “Special Dividend”), in respect of the period (the “Special Dividend Period”) from January 1, 2013 to the last day of the calendar month immediately prior to the completion of our initial public offering (the “Special Dividend Date”, which is April 30, 2013), to Shareholders on our register of members as of the Special Dividend Date. The amount of the Special Dividend will be determined based on the audited unconsolidated net profit of our Company in accordance with PRC GAAP or IFRS, whichever is lower, after the required appropriations for a statutory reserve, a reserve for general risk and a transaction risk reserve which in aggregate equal to 30% of the unconsolidated net profit of our Company for the same period. Based on the latest available management accounts of our Company and the reasonable estimates of our management, we currently estimate this Special Dividend for the Special Dividend Period, which is the first four months of 2013, to be approximately RMB490 million. The actual amount of the Special Dividend will be determined upon the completion of an audit (the “Special Audit”) in the fourth quarter of 2013 and we will make an announcement regarding the actual amount of the Special Dividend before we pay the Special Dividend. We expect to pay the Special Dividend from our available cash and cash equivalents after the actual amount of the Special Dividend is determined. The holders of our H Shares are not entitled to receive the Special Dividend. Any distributable profit for distribution to our Shareholders after the Global Offering will exclude the Special Dividend. Our results of operations are affected, to a large extent, by the trading turnover in the PRC stock market. As the trading turnover in the PRC stock market is subject to fluctuations, you should not rely on the estimated amount of the Special Dividend as an indication of our net profit for the full year of 2013.

In accordance with our Articles of Association, after the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP, IFRS or the accounting rules of the listing venue, whichever is lower. Our Articles of Association stipulate that we shall distribute not less than 10% of our annual distributable profits as cash dividends in any fiscal year so long as we have profits after tax and accumulated undistributed profits in that year, except that we may decide not to distribute cash dividends due to any significant investment. For more detailed information, please see “Financial Information—Dividend Policy” in this prospectus on page 313.

SUMMARY

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since December 31, 2012.

LISTING EXPENSES

Between January 1, 2013 and March 31, 2013, we incurred approximately RMB4.0 million in expenses for the Global Offering, and we expect to incur an additional RMB259.5 million (including the commission and expenses that can be capitalized, assuming an Offer Price of HK\$5.88 per H Share, which is the mid-point of the stated range of the Offer Price of between HK\$4.99 and HK\$6.77 per H Share) until the completion of the Global Offering. We do not expect these expenses to have a material impact on our results of operation for 2013 as reflected in our consolidated income statements for 2013.

RISK FACTORS

Our business faces several risks set out in “Risk Factors” in this prospectus on page 34. **As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares.** We are facing the following main risks:

- fluctuations in the general economic and market conditions in China could materially and adversely affect our business;
- new legislation or changes in the PRC regulatory requirements may affect our business operations and prospects;
- we generate a significant portion of our revenue from our securities brokerage business. If we fail to sustain our brokerage commissions and fees, our results of operations and financial condition could be materially and adversely affected;
- if we cannot successfully maintain and expand our client base and branch network, our securities brokerage business and its revenue could be materially and adversely affected;
- our proprietary trading business is subject to market volatility and our investment decisions; and
- our investment banking business is subject to various risks in the underwriting and sponsorship of securities and we cannot assure you that our sponsors fees and underwriting commissions can be sustained.