You should carefully consider all of the information contained in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Environment," "Appendix IV—Summary of Principal Legal and Regulatory Provisions" and "Appendix V—Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Fluctuations in the general economic and market conditions in China could materially and adversely affect our business.

Substantially all of our revenue is derived from the securities markets in China. Like other PRC securities firms operating in the same industry, our business is directly affected by the inherent risks associated with the securities markets, such as market volatility, overall investment sentiments, fluctuations in market capitalization and trading volumes, the supply of liquidity and perceived credit worthiness of the securities industry in the marketplace. Our business is also subject to changes in general economic and political conditions, such as monetary policies, fiscal policies, foreign exchange policies and currency fluctuations, cost of funding and the volatility of interest rates, taxation policies and other macroeconomic policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, as well as inflation and availability of short-term and long-term funding sources. In 2010, 2011 and 2012, the PRC securities industry and our financial condition and results of operations were adversely affected by the tightening of monetary policies and high inflation in the PRC, as well as the volatile and persistently depressed PRC A share market. During 2012, the slowdown of the economic growth of the PRC, the continued global financial uncertainties and the euro zone sovereign debt crisis have also resulted in adverse market conditions and increased volatility in the PRC securities markets. For example, the CSI 300 Index increased by 7.6% in 2012 while decreased by 25.0% and 12.5% in 2011 and 2010, respectively. The daily average trading turnover in the PRC A share market decreased by 25.0% to RMB128.5 billion in 2012 compared to RMB171.4 billion in 2011, which in turn decreased by 23.4% compared to RMB223.7 billion in 2010. As a result of these risks and uncertainties for the securities industry in the PRC, our total revenue and other income decreased by 7.3% to RMB5,961.6 million in 2012 compared to RMB6,431.1 million in 2011, which in turn decreased by 24.0% compared to RMB8,460.2 million in 2010.

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.

Downturns in general economic conditions and adverse market conditions in China may result in declines in trading turnovers by our clients and financing and investment activities in the market, which could adversely affect commission and fee income from our securities brokerage business and underwriting and sponsors fees from our investment banking business. If such downturns continue for a prolonged period, they could have a material adverse effect on our results of operations. General economic conditions and unfavorable market conditions may also increase the risk of defaults in the margin loans that we provide to our clients. Furthermore, adverse general economic and market conditions in China could also negatively affect the value and returns on our financial assets and investments, which could lead to a reduction in value of our trading and investment positions, adversely affecting our proprietary trading business and private equity investments, as well as limit our liquidity and reduce our opportunities to exit and realize value from our investments. Adverse economic conditions could also limit our ability to effectively deploy capital as well as our ability to raise new funds or increase the size of our AUM. In times of adverse economic and market conditions, we may also be faced with an influx of client redemptions in our asset management portfolio, which could adversely impact our asset management business.

New legislation or changes in the PRC regulatory requirements may affect our business operations and prospects.

The PRC securities industry is highly regulated and securities firms are subject to regulations on various perspectives, including Net Capital, business licenses as well as scope of products and services. We operate our businesses in accordance with the existing securities regulatory environment in the PRC. As the PRC securities industry is still evolving, relevant rules and regulations could be changed from time to time based on the developments of the securities markets. Most of the newly introduced businesses require further development and improvement and there are uncertainties regarding the enforcement of existing rules and regulations in relation to these new businesses. Any changes in regulatory requirements may have a material and adverse effect on our business, financial condition and results of operations.

In recent years, the CSRC has gradually relaxed certain regulations and encouraged business innovation and product diversification, including a gradual launch of pilot programs to develop emerging businesses such as direct investment, stock-index futures trading, margin financing and securities lending, securities-based lending transactions and dealer-quoted bond repurchase transactions. In addition, the CSRC has implemented policies to support securities firms' leveraged operations. The CSRC promulgated in April 2012 and further amended in November 2012 the Decisions on Modification of the Regulation in Relation to the Calculation Basis for the Risk Capital Reserve of Securities Companies (關於修改〈關於證券公司風險資本準備計算標準的規定〉的決定), which lowered the ratios of risk capital reserves required for securities firms' proprietary trading, asset management, brokerage and other businesses, in order to enable securities firms to expand their business scales and encourage industry innovations and developments. Changes in the interpretation or enforcement of rules and regulations for these new businesses may result in changes in, or the suspension of, certain of our new businesses, which could have a material adverse effect on our business and prospects. Furthermore, the relaxation of regulations by the regulatory authorities may intensify competition in the securities industry, which may expose us to challenges in maintaining and increasing our market shares and rankings. On the other hand, regulatory authorities may promulgate new laws and regulations that strengthen securities regulations on, impose additional restrictions on, or even terminate, any part of our existing business or operations. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

Intense competition in existing and emerging businesses could materially and adversely affect our business if we are unable to compete effectively.

We face intense competition against a large and diverse group of competitors across our business lines. We compete with over 110 PRC securities firms, as well as other financial institutions such as commercial banks and insurances companies in various specific business lines in the PRC. Commercial banks, insurance companies and other financial institutions are expanding their services into the traditional businesses of securities firms through continuous product and service innovation and have been competing with securities firms in certain areas. Commercial banks, in particular, present a greater challenge to securities firms' businesses in areas such as bond underwriting, financial advisory and sales of wealth management products, by leveraging their branch network, client base and capital base. At the same time, the gradual relaxation of PRC securities regulations and the tendency towards mixed operations in the PRC's financial industry may cause new competitors to enter into our industry, or allow our current competitors to expand the scope of their business into new business lines. The relaxation of PRC securities regulations could also induce foreign financial institutions to enter into the PRC market, which are currently subject to PRC regulatory limitations and restrictions on their business activities. Foreign financial institutions could possess a number of competitive advantages over us, including greater financial resources, more robust or specialized capacities, larger total assets and a larger and more diverse client base. In addition, innovative products and services may emerge in the PRC securities market as the PRC securities industry is gradually evolving. We may fail to maintain our current market share or leading position in these new business areas due to difficulties or challenges we may face when we offer new products or services. Our failure to maintain our competitiveness in this business environment will have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face intense price competition in our business lines. We may continue to experience pricing pressures in the future as some of our competitors seek to increase their market shares by reducing prices. There has been considerable pressure on commission rates in some of our businesses in recent years. In particular, our securities brokerage commission rate experienced continuous decreases in recent years. Electronic execution of trades through the Internet and other alternative trading systems has been broadly accepted by brokerage clients and has increased the pressure on brokerage commission rates. For the years ended December 31, 2010, 2011 and 2012, our average securities brokerage commission rate was 0.103%, 0.083% and 0.083%, respectively. In addition, underwriting fees, financial advisory fees and asset management fees have also been subject to pricing pressure. We believe that we will continue to face pressure on commission rates and other areas if some of our competitors decide to further lower their prices in order to increase their market shares. Please see "—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" 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."

Some of our competitors may have certain competitive advantages over us, such as greater financial resources, stronger brand recognition, broader product and service offerings and more advanced IT systems. They may also have more experience with a broader range of services and more complex financial products than we do. We may also compete with specialized or regional competitors. While these competitors may not offer as broad a range of products and services or as wide a geographic coverage as we do, they may have more extensive experience, stronger brand recognition and other competitive advantages in their specialized business lines or geographical regions. If we fail to compete effectively against our competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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.

Revenue from our securities brokerage business has been the largest component of our total revenue and other income. For the years ended December 31, 2010, 2011 and 2012, revenue and other income from our securities brokerage business amounted to RMB6,868.4 million, RMB4,918.2 million and RMB4,081.0 million, respectively, representing 81.2%, 76.5% and 68.4% of our total revenue and other income, respectively. While we continue to diversify and grow our other business lines, our securities brokerage business is expected to remain our primary source of revenue. Since we generate a significant portion of our revenue from our securities brokerage business, any decline or slowdown in our securities brokerage business could have a material adverse effect on our total revenue and other income.

Revenue from our securities brokerage business consists primarily of commissions and fees that we charge our clients for their trading of securities. Accordingly, revenue from our securities brokerage business depends significantly on the turnover of trading that we execute for our clients and the brokerage commission rate. Trading turnover is subject to factors including general economic conditions, macroeconomic and monetary policies, market conditions, fluctuations in interest rates and investor behavior, all of which are beyond our control. For example, the CSI 300 Index experienced volatility and decreased by 12.5% and 25.0% in 2010 and 2011, respectively, whereas increased by 7.6% in 2012 as a result of increased inflation, tightened monetary policies and rising concerns over the PRC economy's slowdown. Such unfavorable market conditions had significantly affected our securities trading turnover and resulted in a decrease in our securities brokerage revenue.

The PRC securities markets are newly emerging markets characterized by short-term investing behavior among investors, which has resulted in a higher level of trading activities by our clients. However, as the capital markets in China develop and our clients become more sophisticated, they may reduce their trading activities in the future, which could adversely affect the commissions we derive from our brokerage business.

According to the CSRC rules, securities firms' securities brokerage commission rates can change within a range between an upper limit equivalent to 3‰ of each transaction amount and a lower limit equivalent to the costs for such brokerage services. The increasing competition in the PRC securities industry as well as the introduction of other alternative trading systems may lead to a decrease in our brokerage commission, which will adversely affect our brokerage business. As a result, we cannot assure you that our brokerage commission and fee income can be sustained at current levels.

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.

The securities brokerage business is highly competitive and we have to maintain our client base and attract new clients from our competitors. We had a large client base of approximately 5,573,000 clients, including over 16,000 institutional clients, as at December 31, 2012. However, there is no assurance that we will be able to continue to maintain or grow our client base. If we are unable to address the needs of our clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or if we otherwise fail to meet our clients' demands or expectations, we may lose our existing clients to our competitors or fail to attract new clients. As a result, our business, financial condition and results of operations may be adversely affected.

We serve clients of our securities brokerage business and manage client relationships primarily through our branches. We have the largest and most widely distributed network of outlets among all the securities firms in the PRC. As at December 31, 2012, we had 229 securities brokerage branches in 30 provinces in the PRC. However, there is no assurance that we will be successful in expanding our branch network further due to regulatory changes, difficulties in managing a relatively large pool of retail brokerage staff and other unforeseeable reasons. In March 2013, the CSRC issued the Supervisory Provisions on Branches of Securities Companies (證券公司分支機構監管規定), or the Supervisory Provisions on Branches, which removed the limit on the number of branches that securities companies can establish and allowed qualified securities companies to set up branches nationwide. Based on the Supervisory Provisions on Branches, the PRC securities companies may establish more new branches, which may further increase the competition in the securities brokerage business in the PRC and decrease the securities brokerage commission rate. We may fail to maintain our current market position of the largest network of outlets and our failure to maintain our competitiveness will have a material and adverse effect on our business, financial condition, results of operations and prospects.

In addition, the prevalence of the online retail brokerage business in the PRC exposes us to competitive pressure on commission rates from small, low-cost securities firms which carry out brokerage services primarily through online trading platforms. Some of our competitors have set up off-site trading branches which primarily function as client service centers for product promotion, sales and marketing and investment advisory services. Our competitors may further lower their commission rates by leveraging lower costs for such non-traditional branches which requires less on-site staff, operating space and facilities than traditional branch outlets.

Our proprietary trading business is subject to market volatility and our investment decisions.

We trade equity and fixed-income securities as well as derivatives. Our equity and fixed-income securities are subject to market volatility and, therefore, the results of our securities trading activities generally correlate with the performance of the PRC securities markets. We also engage in derivative transactions involving ETFs and hedging of stock index futures. We use derivative instruments to hedge the price volatility on our investment portfolio. However, the PRC derivatives market currently does not provide sufficient means for us to hedge against volatile trading markets, which may make it difficult for us to fully hedge against fluctuations in price volatility on our investment portfolio, and the derivatives that we use may not be as effective as we would expect. In addition, derivatives contracts we enter into expose us to the risks associated with these instruments and their underlying assets, which could result in certain losses. The secondary market for derivatives is volatile and we may be inexperienced in managing new products or trading derivative products. As a result of the volatility in the PRC securities market, our net investment gains increased to RMB394.8 million in 2012 compared to RMB104.4 million in 2011, which decreased from RMB313.6 million in 2010.

The performance of our proprietary trading business relies on our investment decisions and judgments based on our assessment of existing and future market conditions. We closely monitor the market value of our investment portfolio and actively refine the structure of our portfolio based on market conditions and internal risk management guidelines. However, our investment decisions are a matter of judgment, which involves management discretion and assumptions. If our decision-making process fails to effectively minimize losses while capturing gains, or our forecasts do not conform to actual changes in market conditions, our proprietary trading business may not achieve the investment returns we anticipate or may even suffer material losses, any of which could materially and adversely affect our business, financial condition and results of operations.

A portion of the securities investments under our proprietary trading business was made in anticipation of clients' needs and to facilitate clients' future transactions, such as the purchase of securities for the purpose of conducting securities-based lending transactions and dealer-quoted bond repurchase transactions with our clients. However, such securities investments may be exposed to risks of market volatility. Currently, the types of financial investment products available in the PRC securities market remain limited. Even though stock index futures have provided investors with access to hedging and risk management, the risk hedging mechanisms and financial instruments for risk mitigation available to investors in the PRC are still inadequate. As such, our investments may suffer losses due to the incomplete hedging of such securities investments or the inappropriate design of transaction structures.

In addition, the values of certain classes of our assets, such as our available-for-sale financial assets, are marked to market. A decline in the value of our available-for-sale financial assets can result in the recognition of impairment losses if management determines that such decline in value is not temporary. This evaluation is a matter of judgment, which includes the assessment of several factors. Please see "Financial Information—Significant Accounting Policies and Estimates." If we recognize impairment losses, our results of operations will be adversely affected.

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.

We are exposed to transaction-specific execution risks for each project that we sponsor or underwrite. Offerings of securities in the PRC, especially IPOs, are subject to merit-based reviews and approvals conducted by various regulatory authorities. The result and timing of these reviews and approvals are beyond our control and may cause substantial delays to, or the termination of, securities offerings underwritten and sponsored by us. We cannot assure you that such project-by-project approvals will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings we sponsor could harm our reputation, erode client confidence and reduce our underwriting and sponsors fee income.

In addition, the performance of our investment banking business also depends on market conditions. Adverse market conditions and capital market volatility may also cause delays to or the termination of securities offerings underwritten and sponsored by us due to under-subscription. Since we may underwrite securities offerings on a firm commitment basis, we would be required to purchase some or all of the unsubscribed portion for our own account, which would materially and adversely affect our liquidity. After trading begins, if we sell the securities on our account to investors below the offer price at which we were committed to purchase, we would incur losses on the sales of those securities.

Furthermore, when acting as a sponsor in the securities offering and listing, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC and in Hong Kong for conducting inadequate due diligence in connection with an offering, fraud or misconduct committed by issuers, their agents, other sponsors or ourselves, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the sponsorship process, which may adversely affect our reputation, business and results of operations. Our investment banking business may also be affected by new rules and regulations, changes in the interpretation or enforcement of currently existing rules and regulations relating to the underwriting and sponsorship of securities.

At the same time, new products and services in the investment banking business may emerge in line with the development of the PRC securities market. We may fail to maintain our current market share due to difficulties or challenges we may face when we engage in offering new products or services, which could have a material adverse effect on our investment banking business.

Our investment banking business depends heavily on highly skilled employees. As a result of the increase in the number of securities firms and other financial institutions in the PRC and the rapid expansion of their business operations, the market demand and competition for talented management personnel and technical staff have intensified. Such intense competition may result in increased costs for us as we attempt to effectively recruit, train, manage, incentivize and retain these employees. If we fail to optimize the quality and size of our investment banking team, or fail to retain our team members and thereby experience high staff turnover, our investment banking business could be adversely affected.

We usually receive payment of sponsors fees and underwriting commissions only after we successfully complete a transaction. If a project is not completed as scheduled or at all for any reason, we may not receive sponsors fees and underwriting commissions for our services in a timely manner, or at all, which could materially and adversely affect our results of operations. Intensifying price competition in the investment banking business from other PRC or Sino-foreign joint venture securities firms may force us to charge a lower underwriting fee rate to stay competitive. We cannot assure you that our sponsors fees and underwriting commissions can be sustained at current levels. A reduction in sponsors fees and underwriting commissions could adversely affect our business, financial condition and results of operations.

A significant decline in the size of our AUM or poor management performance may materially and adversely affect our asset management business.

We receive asset management fees based on the asset size of each asset management plan under our management. In addition, we may earn pre-agreed performance fees for certain collective asset management plans and targeted asset management plans. Investment performance affects our AUM and is one of the most important factors in retaining our clients and competing for new asset management business. Limitations in investment options and hedging strategies in the PRC, as well as market volatility, could limit our ability to provide stable returns for our clients, cause us to lose clients and require us to make provisions for the decrease in the value of our investments. For example, we made a provision of RMB30.0 million in 2012 for our own investments in our collective asset management plans. Market volatility, adverse economic conditions or the failure to outperform our competitors or the market may reduce our AUM or affect the performance of the assets or funds we manage, which could adversely affect the amount of management fees or performance fees that we receive.

In addition, we may not be able to keep or increase our AUM or our fees due to increased competition from insurance companies, trust companies, commercial banks and other competitors. We are still in the process of developing and growing our asset management business. If we fail to increase our AUM, we may not be able to take advantage of potential benefits, such as economies of scale and investment strategies with larger capital requirements. This lack of scale could adversely affect our ability to compete and our results of operations and financial condition.

Our private equity investment business is subject to our investment decisions and market conditions.

Our private equity investment business generally involves direct equity investments in private companies and investment in private equity funds with our own capital. We aim to earn investment returns from dividends paid by our portfolio companies and generate capital gains from exits through an IPO or disposal of equity in our portfolio companies. To make a sound investment decision, we need to carefully identify and select a target company based on its business, operations and the industry in which it operates. In general, this selection process involves a systematic analysis and forecast of the target company's profitability and sustainability. However, we may make unsound investment decisions due to our failure to identify fraudulent, inaccurate or misleading statements from a target company in the course of our due diligence, which could lead us to overvalue the target company and prevent us from making a profit on such investments.

Our portfolio companies may take longer than expected to become suitable for IPOs, if at all. As such, our investment period would be longer than we anticipated, which could reduce our returns on investment or, if an IPO cannot be achieved for any reason, we cannot exit our investment in an open market, or at all, which may have an adverse impact on realizable value of our investment. In addition, our ability to exit a private equity investment is also subject to market conditions in the PRC. Even in the case of successful IPOs, due to equity capital market conditions, we may be forced to sell our investments at undesirable prices or defer sales for a considerable period of time or may not be able to sell them at all. If we cannot sell our private equity investments during the planned disposition period, our investment returns will continue to be exposed to market risks.

We may have limited control over the portfolio companies in which we have invested. We may not be able to influence the business decisions of our portfolio companies, which could result in our inability to profit from such investments as we anticipated. In addition, our portfolio companies could also fail to abide by the agreements entered into with us during the course of our investments, for which we may have limited or no recourse. In such cases, our business, financial condition and results of operations could be materially and adversely affected.

Our business may be subject to the risks associated with overseas expansion.

We plan to continue to expand our overseas business and explore opportunities in other overseas markets in the future. In expanding our business internationally, we have entered and intend to continue to enter into markets in which we have limited or no operating experience. Therefore, we may not be able to attract a sufficient number of new clients due to our limited presence and brand recognition in such overseas markets and may fail to compete effectively in these markets. In addition, such expansion may increasingly subject us to risks inherent in conducting business internationally, including but not limited to:

- local political instability, civil unrest or terrorism in such regions;
- economic uncertainties and recessions in such regions;
- difficulties in complying with local legal and regulatory requirements, including approval or license requirements;
- differences in accounting treatment in different jurisdictions;
- potential adverse overseas tax policies;
- difficulties in administering foreign operations generally;
- differences in cultural, commercial and operating environments and corporate governance;
- challenges in providing products, services and support in these overseas markets;
- difficulties in implementing effective protection for intellectual property rights;
- exchange rate losses;
- difficulties in effectively enforcing contracts or protecting legal rights; and
- difficulties in recruiting and retaining qualified personnel.

In particular, despite our efforts to comply with all applicable regulations in jurisdictions in which we operate, there may be incidents of our failure to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against us or our employees, representatives, agents and third-party service providers. If we are unable to manage the risks resulting from our expansion outside China, our business, reputation, financial condition and results of operations may be adversely affected.

We face additional risks as we expand our product and service offerings.

We are committed to providing new products and services to our clients in order to strengthen our leading market position in the PRC securities and financial industry. We have recently expanded our business to include, among others, margin financing and securities lending, securities-based lending products, dealer-quoted bond and fund repurchase products, and private equity investments. We will continue to expand our product and service offerings as permitted by the PRC regulatory authorities, transact with new clients not in our traditional client base and enter into new markets. These new businesses may have different operational parameters and risk profiles from our more established existing businesses, and we may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks using our available risk management tools.

These new businesses expose us to additional and potential challenging risks, including, but not limited to:

- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients, or may have legal disputes with clients due to deficiencies in our new products;
- we may be subject to greater regulatory scrutiny, increased credit risks, market risks and operational risks;

- we may suffer from reputational concerns arising from dealing with less sophisticated counterparties and clients;
- we may be unable to provide clients with adequate levels of service for our new products and services;
- we may be unable to hire additional competent qualified personnel to design and manage the offering of a broader range of products and services;
- our new products and services may not be accepted by our clients or meet our profitability expectations;
- we may be unable to make accurate judgment on market conditions, including the potential loss, of our new business, due to insufficient historical data;
- we may be unable to obtain sufficient financing from internal and external sources to support our business expansion;
- we may be unable to completely identify or adequately evaluate the risks of our new business, or carry out robust risk management in response to the risks; and
- we may not be able to enhance our risk management capabilities and IT systems on a timely basis to identify and mitigate all the risks associated with these new products and services, new clients and new markets.

If we are unable to achieve the intended commercial results with respect to our offering of new products and services, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

Currently, we follow our internal risk management framework and procedures to manage our risk exposures, primarily including market risk, credit risk, operational risk, liquidity risk, compliance risk and legal risk. Our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risk exposures or protecting us against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon historical market behavior and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience data on which we rely for our risk management methods may become quickly outdated as markets and regulations continue to evolve.

Management of operational, compliance and legal risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and business activities, as well as appropriate and consistent application of internal control systems. Our risk management and internal control policies and procedures may not be adequate or effective in mitigating risks of unanticipated or unforeseen nature, and our business, financial condition and results of operations could be materially and adversely affected by the corresponding increase in our risk exposures and actual losses as a result of failures of our risk management policies, procedures and internal controls. The risk mitigation strategies and techniques that we adopt may not be fully effective and sufficiently encompassing and may leave us exposed to unidentified and unanticipated risks. In addition, if we fail to promptly adjust and improve our risk management and internal control systems and procedures in response to the development of our branch outlets and the expansion of our business and products, our business operations and financial condition could be materially and adversely affected.

Effective implementation of our risk management and internal control also depends on our employees. Due to the significant size of our operations and our large number of branches, we cannot assure you that such implementation will not involve human errors or mistakes, which may have a material adverse effect on our business, financial condition and results of operations.

Significant interest rate fluctuations could affect our financial condition and results of operations.

Our exposure to interest rate risk is primarily associated with our interest income, interest expenses and fixed-income securities. We earn interest income from deposits with banks and non-bank financial institutions, margin financing and securities lending as well as financial assets held under resale agreements. Interest income from these sources is directly linked to the prevailing market interest rates. If market interest rates decrease, our interest income would generally decrease. We also make interest payments on deposits that we hold on behalf of our clients, our short-term borrowings and repurchase transactions. These interest expenses are directly linked to the prevailing market interest rates. During periods of rising interest rates, our interest expenses and financing costs would generally increase. In addition, we hold fixed-income securities. During periods of rising interest rates, market prices and our investment returns on fixed-income securities will generally decrease. Significant interest rate fluctuations could affect our interest income or returns on fixed-income investments, or increase our interest expenses, any of which could adversely affect our financial condition and results of operations.

We may suffer significant losses from our credit exposures.

Our businesses are subject to risks that a client or counterparty may fail to perform its contractual obligations or that the value of collaterals held to secure the obligations might be inadequate. Our credit exposure mainly results from our margin financing and securities lending, futures brokerage and our role as a counterparty in repurchase transactions and derivative contracts. Any material non-payment or non-performance by a client or counterparty could adversely affect our financial position, results of operations and cash flows.

With respect to the margin financing and securities lending business, we may enforce mandatory liquidation for clients who are unable to settle their obligations as scheduled, or whose collateral ratios upon day-end clearing are lower than the collateral ratios set for liquidation as a result of fluctuations in prices of the listed securities while failing to replenish the collateral in full within the agreed-upon period. In respect of the futures brokerage business, we require our clients to maintain a certain amount of account balance for their futures trading. We conduct automatic valuations for clients' account balance on each trading day, and, in the event of insufficient account balance, we require clients to replenish their account balance or liquidate the clients' positions. Such mandatory liquidation mechanism may trigger disputes between clients and us, which may subject us to significant expenses or litigation risks. We also conduct off-exchange trades with our clients as a counterparty to provide them with customized products or services. Because there is no exchange or clearing agent for these contracts, we will be subject to the credit risk and non-performance of the counterparty.

We may have exposure to credit risk associated with our financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect our financial condition and results of operations. While we have internal policies and procedures to limit such occurrences, these policies and procedures may not be fully effective. Please see "—Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business." In addition, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. If our credit exposure becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, or if we fail to effectively manage our credit exposure through our risk management policies and procedures, the volatility of any negative impact of adverse credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

We are subject to capital requirements, including the Net Capital requirement, which may restrict our business activities.

We are subject to capital requirements that may restrict our business activities. According to the CSRC's requirements, the ratio between our Net Capital and net assets cannot fall below 40%, the ratio between our Net Capital and total liabilities cannot fall below 8% and the ratio between our net assets and total liabilities cannot fall below 20%. In addition, according to the CSRC's requirement, the registered capital of our direct investment subsidiary cannot exceed 15% of our Net Capital. If we fail to meet regulatory capital requirements in the PRC, regulatory authorities may impose penalties on us or limit the scope of our business, which could, in turn, have a material and adverse effect on our financial condition and results of operations.

A significant decrease in our liquidity could negatively affect our business and reduce client confidence in us.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our margin financing and securities lending, proprietary trading, and other business activities with substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities. A reduction in our liquidity could reduce the confidence of our clients or counterparties in us, which may result in the loss of business and clients.

Factors that may adversely affect our liquidity position include a significant increase in our margin financing activities, early redemption of our dealer-quoted bond repurchase product by our clients, our inability to timely refinance our short-term notes, large underwriting on a firm commitment basis in our investment banking business, failure to liquidate financial asset investments at reasonable prices, over-concentration of holdings in certain assets or asset classes, mismatch of durations of assets and liabilities, increased regulatory capital requirements or other regulatory changes, or a loss of market or client confidence. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. During periods of adverse credit and capital market conditions, potential sources of external financing could be limited and our borrowing costs could increase. In addition, external financing may not be available on acceptable terms or at all due to unfavorable market conditions and disruptions in the credit and capital markets.

We are subject to extensive regulatory requirements, the non-compliance with which could cause us to incur penalties.

As a participant in the securities and financial services industries, we are subject to extensive PRC and overseas (including Hong Kong) regulatory requirements, which are designed to ensure the integrity of the financial markets, the soundness of securities firms and other financial institutions and the protection of investors. These regulations often serve to limit our activities by, among other things, imposing capital requirements, limiting the types of products and services that we may offer, restricting the types of securities in which we may invest and limiting the number and location of branches we may establish. Please see "Regulatory Environment." The PRC and overseas (including Hong Kong) regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements.

Based on the assessment results of the effectiveness of internal control, risk management capabilities, status of regulatory compliance, the results of operations and market competitiveness, the CSRC assigns a regulatory rating, in five classes of A, B, C, D and E and 11 levels, to each securities firm. In 2010, 2011 and 2012, the CSRC assigned us an "AA" regulatory rating. Though we strive to improve our risk management, compliance and results of operations in order to maintain and increase our regulatory rating assigned by the CSRC, we cannot assure you that the CSRC will not lower our regulatory rating in the future. If the CSRC lowers our regulatory rating, we may be subject to requirements of a higher ratio for risk capital reserve or a higher reserve ratio for the securities investor protection fund, or we may no longer meet the requirement of conducting a new business or may fail to obtain certain business permits or approvals, any of which may have a material adverse effect on our business, financial condition and results of operations.

Despite our efforts to comply with applicable regulations, there are a number of associated risks, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance. On occasion, we may fail to meet certain requirements and guidelines set by the PRC regulatory authorities. From time to time, we or our employees may have been involved in incidents of non-compliance and received related notices or warnings from the relevant regulatory authorities. These incidents of non-compliance included, among other things, the failure of our sponsor representatives to adequately verify information during the due diligence of an IPO, the estimation errors in our research report, and the failure to fulfill obligations of client identity verification in the course of conducting the futures business. The fines that regulatory authorities imposed on us for non-compliance incidents amounted to approximately RMB210,000, RMB136,000 and RMB44,000 for the years ended December 31, 2010, 2011 and 2012, respectively. Please see "Business—Laws and Regulations —Regulatory Non-compliances." Material incidents of non-compliance may subject us to penalties or restrictions on our business activities, which could have a material adverse effect on our business, results of operations or financial conditions. We cannot assure you that we will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines at all times. Failure to do so could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to conduct pilot programs and launch new businesses and harm our reputation, and consequently materially and adversely affect our financial condition and results of operations.

Business qualifications may not be obtained.

Many aspects of our businesses depend on obtaining and maintaining the necessary approvals, licenses or permits from government authorities, including the CSRC. Please see "Regulatory Environment." In order to obtain these business qualifications, we need to comply with regulatory requirements in various aspects, including Net Capital, risk management, corporate governance, professional staff, corporate structure and compliance operations. If we fail to continuously comply with the regulatory requirements in certain aspects, we may encounter the risks of being disqualified for our existing businesses or being rejected for renewal of our qualifications upon expiry by the regulatory authorities. In addition, in respect of any new business that we contemplate, we may not be able to obtain the relevant approvals for developing such new business, if we fail to fully comply with the relevant regulations and regulatory requirements. As a result, we may fail to develop our new business as planned or recover certain parts of our initial investments, or we may fall behind our competitors in such businesses.

Future acquisitions may not be successful.

In addition to organic growth, our current strategy involves growth through acquisitions of complementary businesses and entry into strategic alliances. This strategy entails potential risks that could have a material adverse effect on our business, financial condition, results of operations and prospects, including:

- unidentified or unanticipated liabilities or risks in the assets or businesses that we may acquire;
- inability to successfully integrate the products, services and personnel of the businesses that we may acquire into our operations or to realize any expected cost savings or other synergies from the acquisitions;
- the need to incur additional indebtedness, which may reduce our cash available for operations and other uses due to increased debt repayment obligations;
- inability to retain employees;
- loss of clients; and
- diversion of management attention and other resources.

We may not be able to identify attractive acquisition opportunities, or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. In addition, the anticipated future expansion of our operations through acquisitions will place a significant strain on our management, internal controls and IT systems and resources, and could also result in additional expenditures. In addition to training, managing and integrating our workforce, we will need to continue to develop and improve our management and financial controls. We cannot assure you that any of such acquisitions will result in long-term benefits to us or that we will be able to effectively manage the integration and growth of our operations. Failure to do so may materially and adversely affect our business, financial condition, results of operations and prospects.

Our operations depend on key management and professional staff and our business may suffer if we are unable to retain or replace them.

The success of our business depends on, to a large extent, our ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the securities and financial markets. These key personnel include members of our core management, licensed sponsor representatives, experienced investment managers and industry analysts, IT specialists, sales staff and other key personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are vying for the same pool of talent. Intense competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could result in additional expenditures. We may be unable to attract or retain these personnel and the failure to do so could severely disrupt our business and prospects. In addition, due to the rapid development of the PRC securities industry, our current professionals' knowledge and skills may be insufficient to meet our needs for product and service innovations, which may adversely affect the development of our business.

Some of our key employees are subject to non-compete arrangements. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our clients, which may have a material adverse effect on our business.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties on a timely basis.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties, including, among others, unauthorized trading, misusing or disclosing confidential information, providing false information, forging corporate seals, illegal fundraising, improper tunneling and insider trading. These incidents of misconduct could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation. In addition, alleged or actual employee misconduct could result in investigations or prosecutions of the employees engaged in the subject activities or litigation or regulatory sanctions against us, which could cause reputational harm, litigation costs and management distraction for us regardless of whether we are alleged to have any responsibility. Please see "Business—Laws and Regulations—Regulatory Non-compliance."

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be fully effective. We cannot assure you that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result. Our failure to detect and prevent fraud and other misconduct may have a material adverse effect on our business reputation, financial condition and results of operations.

We are exposed to the risk of harm to our reputation, which may have a material adverse effect on our business, results of operations and financial condition.

We and our products and services are vulnerable to adverse market perception as we operate in an industry where integrity, client trust and confidence are critical. We are exposed to the risk that litigation and disputes, employee misconduct, senior personnel changes, client complaints, the outcome of regulatory investigations or penalties, legacy issues arising from our previous restructuring and negative publicity, among other things, could harm our reputation. For example, one of our corporate clients at our Zhangyang Road branch in Shanghai complained about the stock trading activities conducted by a former client manager at that branch with this client's securities account, which caused losses to the client. In June 2012, one of the shareholders of the client filed complaints against us about the client manager's trading activities to the Inspection Bureau of the CSRC, the CSRC Beijing Bureau and the CSRC Shanghai Bureau. Although we have not been determined by the CSRC to be responsible for the client manager's alleged misconduct nor has the client filed a lawsuit against us, we could be subject to material negative publicity brought by the client or its shareholder which may cause reputational harm to us. Any harm to our reputation could cause existing and potential clients to be reluctant to purchase products or services from us. Any harm to our reputation may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an independent anti-money laundering department, establish a client identification system in accordance with relevant rules, record the details of client activities and report suspicious transactions to relevant authorities. Please see "Regulatory Environment—Regulatory Environment of the PRC—Other Regulations—Anti-money Laundering" and "Regulatory Environment—Hong Kong Regulatory Environment—Anti-money Laundering and Counter-terrorist Financing."

While we have adopted policies and procedures aimed at detecting and preventing the use of our business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only recently been adopted and may not completely eliminate instances in which we may be used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. We cannot assure you that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business reputation, financial condition and results of operations.

We are subject to the risks arising from any failures of, or inadequacies in, our IT systems.

Our operations rely heavily on the stable and effective operations of our IT systems and are also affected by the operations of the IT systems of telecommunication carriers, exchanges, clearing agents, depositaries and other financial intermediaries. Our securities trading processing systems are highly automated. The proper functioning of our securities trading, financial control, risk management, accounting, client service and other data processing systems, together with the communication networks between our headquarters, subsidiaries and branches and our communication networks with exchanges, clearing agents and depositaries, are critical to our business and our ability to compete effectively. We have established disaster recovery centers in Beijing and Shanghai to carry on principal functions in the event of a catastrophe or failure of our systems, including those caused by human error. However, we cannot assure you that our operations will not be materially disrupted if any of our systems fails. A prolonged disruption to or failure of our information processing or communications systems would limit our ability to process transactions. This would impair our ability to service our clients and execute trades on behalf of clients and for our own account, which could materially and adversely affect our competitiveness, financial condition and results of operations.

We utilize IT products and services from a variety of third-party developers, contractors and vendors. If we fail to effectively manage our external IT developers, contractors and vendors and their products and services, we may experience system failures, incompatible software or platforms, as well as synchronization, data transfer and data management issues across our various IT systems and platforms. If we upgrade our information systems or launch new information systems for our new business, we may encounter disruption, breakdown or slowdown of the systems due to their defects, the failure to upgrade the original systems or the operational errors of technicians, which may result in client dissatisfaction.

In addition, if our information systems are unable to be improved in response to our business development and expansion, our capabilities of business management, client service, risk management and internal control may be adversely affected. If the processing capacity of our trading system is not able to deal with trading demands when the securities market experiences volatility, we may be subject to client complaints, litigations or adverse effects on our reputation.

The operations of our IT systems are exposed to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access, data loss or leakage, improper access to operation authority and other similar events. Disruptions to or instability of our technology or external technology that is used by our clients for our online products and services could harm our business and our reputation.

Our business is susceptible to the operational failure of third parties.

We face the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries we use to facilitate our securities transactions. Any operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, serve our clients and manage our exposure to various risks. Any disputes or difficulties in cooperating with these financial intermediaries could adversely affect our business operations.

In addition, as our interconnectivity with our clients grows, our business also relies heavily on our clients' use of their own systems, such as personal computers, mobile devices and the Internet, and we will increasingly face the risk of operational failure in connection with our clients' systems.

A failure to appropriately identify and address conflicts of interest could adversely affect our business.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. We may encounter conflicts of interest arising between (i) our various operating units, (ii) our clients and us, (iii) our various clients, (iv) our employees and us or (v) our clients and our employees. Please see “Business—Conflicts of Interest.”

We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest are complex and difficult. Our failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect our business, financial condition and results of operations.

We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information of our clients.

Various laws, rules and regulations require us to protect the personal data and confidential information of our clients. The relevant authorities may issue sanctions or orders against us if we fail to protect the personal information of our clients, and we may have to provide compensation for economic loss arising from our failure to protect the personal information of our clients in accordance with relevant laws and regulations. Incidents of mishandling personal information or failure to protect confidential information of our clients could create a negative public or client perception of our operations or our brand name, which may materially and adversely affect our reputation and prospects.

Our largest Shareholder is able to exercise significant influence over us.

Following the completion of the Global Offering, Galaxy Financial Holdings will remain the largest Shareholder of our Company. Immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Galaxy Financial Holdings will hold approximately 69.58% of our outstanding Shares; assuming that the Over-allotment Option is fully exercised, Galaxy Financial Holdings will hold approximately 67.27% of our outstanding Shares. As Galaxy Financial Holdings will remain the largest Shareholder of our Company, it will have the ability to exercise significant influence over us, including, among others, matters relating to:

- nomination and election of our Directors and Supervisors;
- determination of business strategies and investment plans;
- determination of dividend distribution;
- change of use of proceeds; and
- review any plans related to major corporate activities, including mergers, acquisitions or investments.

Although Galaxy Financial Holdings has undertaken to us that it will not prejudice the interests of our Company or our other Shareholders by taking advantage of its position as the controlling shareholder of our Company, it has substantial influence over us and its interests may not be consistent with that of other Shareholders of our Company.

We or our landlords do not possess the relevant land use rights certificates or building ownership certificates for some of the properties owned or leased by us.

Properties owned or leased by us primarily consist of operating premises, offices, residential and ancillary buildings. We have not yet obtained the title certificates for certain of the properties we own in the PRC, and certain of our landlords have not yet obtained title certificates for relevant properties that we lease. As at December 31, 2012, among the 41 properties in the PRC that we owned, (i) 32 properties had the relevant building ownership certificates and administrative allocated land use rights certificates, with a gross floor area of approximately 43,643.82 sq.m., representing 82.0% of the aggregate gross floor area of the properties we owned; (ii) six properties had building ownership certificates but not the relevant land use rights certificates, with a gross floor area of approximately 6,874.34 sq.m., representing 12.9% of the aggregate gross floor area of the properties we owned; and (iii) three properties were without proper building ownership certificates and land use rights certificates, with a gross floor area of approximately 2,701.61 sq.m., representing 5.1% of the aggregate gross floor area of the properties we owned. As at December 31, 2012, for our leased properties, our landlords had not provided proper title certificates or proofs of authority to lease the properties for 45 buildings with a gross floor area of approximately 44,673.11 sq.m., accounting for approximately 12.0% of the total gross floor area of the buildings we leased. Of these 45 buildings, the landlords of 22 buildings, which accounted for 5.2% of the aggregate gross floor area of our leased properties, are in the process of applying for building ownership certificates. For the remaining 23 buildings, which accounted for 6.8% of the aggregate gross floor area of our leased properties, either the landlords have provided explicit indemnity to us for any potential losses we may incur as a result of our lease of the relevant properties, or the lease agreements expressly provide for indemnity obligations. Please see “Business—Properties.”

We are in the process of applying for the remaining building ownership certificates and/or the land use rights certificates for our owned properties and working with our landlords to cure title defects, but the timing for obtaining such relevant certificates is beyond our control. Before we or our landlords obtain the proper building ownership certificates and/or the land use rights certificates for such properties, our rights in relation to such properties might not be entirely protected. Any dispute or claim related to the title of the properties owned or leased by us may result in the relocation of our operating premises or offices.

We cannot assure you that our use and occupation of the relevant land and buildings will not be challenged, and there is no assurance that we will be able to secure alternative properties for our business if we are required to relocate. If we or our landlords cannot obtain the relevant building ownership certificates and land use right certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may have to find alternative properties, incur additional relocation costs, or our business operations may be disrupted, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings.

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of our clients. We may be subject to lawsuits and arbitration claims in the ordinary course of our business. We may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our Directors, senior management or key employees would have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects. For details of our litigations, or legal proceedings, see "Business—Laws and Regulations—Legal Proceedings."

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions and government policies could affect our business, financial condition, results of operations and prospects.

We conduct most of our businesses in the PRC, substantially all of our assets are located in the PRC, and substantially all of our revenue is derived from the securities markets in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including but not limited to, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC Government. The PRC Government also has significant oversight over the economic growth of the PRC through various measures, including, among others, allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not benefit from some of these measures.

The PRC Government has the power to implement macroeconomic measures affecting the PRC economy. For example, to mitigate the negative impact from the global financial crisis and economic downturn in 2008, the PRC Government implemented a series of macroeconomic measures and a moderately loose monetary policy between September 2008 and the end of 2009, which included announcing an RMB4 trillion (approximately US$586 billion) economic stimulus package and reducing benchmark interest rates. In 2010 and 2011, the PRC Government introduced a number of monetary tightening measures to curb the overheated real estate markets and increasing inflation in the PRC. The PBOC announced several increases in benchmark interest rates for general lending and the deposit reserve ratio for commercial banks in the PRC. The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be effective as expected in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measure reduces the disposable income of the overall population who purchase securities products or services, such measures may have a material adverse effect on our business, financial condition, results of operations and prospects.

Though the PRC has been one of the world's fastest growing economies as measured by GDP growth in recent years, the PRC may not be able to sustain historical growth rates. Since the global financial crisis and subsequent economic slowdown, the GDP growth in the PRC has slowed down. In 2012, the PRC's annual GDP growth rate was 7.8%, the lowest since 1999. An economic slowdown in the PRC could materially and adversely affect the securities markets in the PRC and Hong Kong, which could adversely affect our financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Since 1979, the PRC Government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws, rules and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with its applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Award between Mainland and Hong Kong Special Administrative Region, awards that are made by the PRC arbitral authorities under the PRC Arbitration Law can be recognized and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the Company Law.

In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our assets and some of our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors, Supervisors and executive officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

In addition, although we will be subject to the Hong Kong Listing Rules and the Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. The Hong Kong Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Investments in PRC securities firms are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in PRC securities firms are subject to ownership restrictions. Prior approval from the CSRC is required for any person or entity to hold, directly or indirectly, 5% or more of the registered capital or total issued shares of a PRC securities firm. If a shareholder of a PRC securities firm increases its direct and indirect shareholding to 5% or more without obtaining prior approval from the CSRC, such shareholder's voting right is invalid when it reaches the 5% threshold and it could be subject to CSRC sanctions, such as the correction of such misconduct, fines and confiscation of any related gains. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC Government may materially and adversely affect the value of your investment.

You will be subject to PRC taxation.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of the Company ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. For additional information, please see "Appendix III—Taxation and Foreign Exchange—Taxation in the PRC" to this prospectus. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to a Notice promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix III—Taxation and Foreign Exchange—Taxation in the PRC" for details. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under China's existing foreign exchange regulations, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most of foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations.

While we generate most of our revenue in the PRC, we also offer securities products and services in Hong Kong to overseas clients. A portion of our revenue, expenses and bank borrowings are denominated in Hong Kong dollars, U.S. dollars and other foreign currencies, although our functional currency is Renminbi. As a result, fluctuations in exchange rates, particularly between Renminbi, Hong Kong dollars or U.S. dollars, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The exchange rate of Renminbi against U.S. dollars and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC Government's fiscal and currency policies. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, Renminbi has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.23 per U.S. dollar on December 31, 2012. It is difficult to predict how the Renminbi exchange rates may change. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollars. We cannot assure you that Renminbi will not experience significant appreciation against U.S. dollars in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets and could materially and adversely affect our business, financial condition, results of operations and prospects.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law and our Articles of Association, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the world, including the PRC and Hong Kong, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC Government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our clients, which may have a material and adverse effect on our business and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market, including any future A Share Offering or conversion of our unlisted Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares or the issuance of our A Shares, or the perception that such sales or issuances may occur. Moreover, future sales, or perceived sales, of substantial amounts of our H Shares or other securities relating to our H Shares, including as part of any future offerings, could materially and adversely affect the prevailing market price of our H Shares and our ability to raise future capital at a favorable time and price.

Upon the completion of the Global Offering, we will have two classes of ordinary shares, H Shares and Domestic Shares. There will be 1,650,000,000 H Shares representing 22.00% of the Company's enlarged share capital, and 5,850,000,000 Domestic Shares representing 78.00% of the Company's enlarged share capital. Without our A Share Offering, all of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes (but without the necessity of Shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained (the "Arrangement"). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to unlisted Shares. Without the A Share Offering, all of our Domestic Shares are subject to the Arrangement and all of our Domestic Shares may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Hong Kong Stock Exchange. The conversion of listed Shares such as A Shares after the completion of our A Share Offering is not covered under the Arrangement. In addition, assuming the Over-allotment Option is not exercised, 150,000,000 Domestic Shares will be converted into H Shares and among which 82,335,000 H Shares will be transferred to and held by the NSSF in connection with the Global Offering. The NSSF has not entered into any lock-up agreement with us or the Underwriters and would be free to sell its H Shares any time after the Global Offering. This may also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and price favorable to us.

In addition, our Shareholders would experience a dilution in their holdings upon the issuance of additional securities for any purpose. If additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

As the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

As the Offer Price of our H Shares is higher than the net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$1.85 per H Share (assuming an Offer Price of HK$5.88 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable. The characteristics of the A share and H share markets are different.

We intend to conduct an offering of A Shares in the PRC and list A Shares on a PRC stock exchange, which may occur sometime after the Global Offering. The A Share Offering will result in a substantial increase in the number of our securities in issue following the A Share Offering. 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 decrease to RMB0.15, and the percentage of our H Shares held by the public will decrease to 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.

Our Global Offering and our A Share Offering are two separate and independent offerings, and neither offering is conditional upon the other. If for any reason we do not proceed with the A Share Offering as proposed, or if the number of A Shares offered in the A Share Offering is reduced or the actual issue price for A Shares is not within the estimated price range of the A Share Offering, the Global Offering may nevertheless proceed as described in this prospectus. Because of differences in the timetables and market practices for the Global Offering and the A Share Offering, prior to the last time for lodging applications under the Hong Kong Public Offering, you will not be notified of the final issue price or final size of our A Share Offering, and we cannot assure you that you will be notified of any delay in or termination of the A Share Offering. Further, the price range and final offer price for the A Share Offering may differ from those of the Global Offering.

Following the Global Offering and the A Share Offering, our H Shares will be traded on the Hong Kong Stock Exchange and our A Shares will be traded on the SSE. Under the current laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. The H share and A share markets have different trading characteristics (including different volume and liquidity) and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading prices of our H Shares and A Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price and vice versa.

Waivers have been granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers from strict compliance with the Hong Kong Listing Rules. Please see "Waivers from Compliance with the Hong Kong Listing Rules" for further details. For instance, as we have received a waiver from compliance with Chapter 14A of the Hong Kong Listing Rules, we would not be required to make announcements in connection with certain transactions. There is no assurance that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could adversely affect us and our Shareholders.

Dividends declared in the past may not be indicative of our dividend policy in the future.

In 2010, we declared cash dividends of RMB1,200 million for the year of 2009 to our Shareholders. We did not declare cash dividends to our Shareholders for in 2011 and 2012. At an extraordinary general meeting of Shareholders on January 25, 2013, our Shareholders adopted a proposal on dividend distribution before our proposed initial public offering. We will declare 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”), 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. 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 in the fourth quarter of 2013 and it may differ from our estimate amount. The holders of our H Shares are not entitled to receive the Special Dividend. Our results of operations depend, to a large extent, on our commission and fee income on securities and futures brokerage which is affected by the trading turnover in the PRC stock market. During the Special Dividend Period, the stock trading turnover in the PRC stock market was RMB13,800.5 billion. As the trading turnover in the PRC stock market is subject to fluctuations, you should not rely on the estimate amount of the Special Dividend, which is based on our results of operations for the Special Dividend Period, as an indication of our net profit for the full year of 2013. For more details about the Special Dividend, please see “Financial Information—Dividend Policy.”

Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory reserve (determined under PRC GAAP), a reserve for general risk and a transaction risk reserve. As a result, we may not have sufficient profit to enable us to make future dividend distributions to our Shareholders, even if one of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to further develop our margin financing and securities lending business, capital-based intermediary securities trading business and capital investment business. For details of our use of proceeds, please see “Future Plans and Use of Proceeds—Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and their economies and securities industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts forecasts and statistics include the facts forecasts and statistics used in the sections entitled "Risk Factors," "Industry Overview" and "Business." Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.