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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto before you decide to invest in our Offer Shares.*

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

### OVERVIEW

We are a leading full-service securities firm in the PRC with an integrated business platform, extensive branch network and substantial customer base. We have established prudent operating strategies and are the only major PRC securities firm founded in the 1980s that remains in operation under the same brand without receiving government-backed capital injections or being the target of a successful acquisition. Leveraging our integrated business platform, we provide a comprehensive range of financial products and services, and primarily focus on five principal business lines in the PRC, comprising securities and futures brokerage (including margin financing and securities lending), investment banking, asset management, proprietary trading and direct investment. We have gained leading market positions across multiple business lines in the PRC securities industry. We also provide a variety of securities products and services overseas.

We are one of the largest securities firms in the PRC. According to the SAC, among all securities firms in the PRC, we ranked second in terms of total assets and net assets as of December 31, 2010 and third in terms of total revenue in 2010. As of September 30, 2011, we owned 210 brokerage branches, the third-largest branch network among all PRC securities firms according to the data from the Shanghai Stock Exchange and the China Futures Association. Headquartered in Shanghai, the financial center of the PRC, our branches are located across 27 provinces and 113 cities in the PRC. In addition, as of September 30, 2011, we operated 13 branches in Hong Kong and Macau through our Hong Kong-listed subsidiary, Haitong International Securities. As of September 30, 2011, we had over 4.0 million retail customers (including approximately 2.1 million active customers) and over 12,000 institutional and high net worth customers. Our A Shares have been listed on the Shanghai Stock Exchange since July 2007. In July 2007, December 2007 and December 2008, we were admitted to the CSI 300 Index, the SSE 180 Index and the SSE 50 Index, respectively. In addition, in June 2008, our A Shares became one of the constituent stocks of the SSE Corporate Governance Index.

Our five principal business lines in the PRC include:

- *Securities and futures brokerage.* We engage in the trading of equities, bonds, funds and warrants, as well as futures on behalf of our customers, and also provide margin financing and securities lending services.

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- *Investment banking.* We provide corporate finance services, including equity underwriting, debt underwriting and financial advisory services to our institutional clients.
- *Asset management.* We offer traditional asset management products and services through our Company and one of our subsidiaries, HFT Investment Management. We operate our private equity asset management business through our subsidiaries, Haitong-Fortis PE Management, Haitong Jihe Management and Haitong Chuangxin Management.
- *Proprietary trading.* We engage in the trading of equities, bonds, funds, derivatives and other financial products for our own account.
- *Direct investment.* We make direct equity investments in private companies and earn capital gains by exiting from these private equity investments through IPOs or share sales, or receiving dividends from these portfolio companies. In addition, we invest in private equity funds with our own capital.

We conduct our overseas business primarily through our Hong Kong-based subsidiary, Haitong International Holdings. Haitong International Securities, a subsidiary of Haitong International Holdings, is a leading full-service securities firm in Hong Kong. Haitong International Securities provides securities and futures brokerage, corporate finance and advisory services and asset management services, as well as other securities products and services to a broad range of retail customers and institutional clients in Hong Kong and overseas.

Established in 1988, we have navigated through various market and business cycles, regulatory reforms and industry developments over our 23 years of operating history, including the Asian financial crisis in 1997 and the most recent global financial crisis in 2008. We have established prudent corporate governance and effective risk management and internal control systems to reduce our exposure to various risks in the securities markets. In recognition of our strong capital position, effective risk management and internal control systems, as well as our proven track record, we received an “AA” regulatory rating from the CSRC for the past four consecutive years, the highest rating given to a PRC securities firm to date.

Leveraging our prudent operating strategies and proven execution capabilities, we have gained leading market positions in securities and futures brokerage, investment banking and other traditional businesses in the PRC, which have experienced steady growth in recent years. According to the data from the SAC, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the CSRC, among all PRC securities firms, we ranked:

- second in terms of total assets and net assets as of December 31, 2008, 2009 and 2010;
- among the top five in terms of securities brokerage trading volume in 2008, 2009 and 2010;

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- among the top five in terms of securities brokerage net revenue in 2008, 2009 and 2010;
- fourth in terms of the value of equity securities underwritten in 2010; and
- in the top two in terms of the number of major asset restructuring transactions of domestic listed PRC companies we advised in 2008, 2009 and 2010.

For a comparison of the market position between us and our major competitors in the PRC as of December 31, 2010, please see “Industry Overview – The Competitive Landscape in the PRC Securities Market.”

We have also established leading positions in developing new businesses. We are frequently designated by the PRC regulatory authorities as one of the first PRC securities firms to participate in pilot programs for new securities products and services. Benefiting from our strong capital position, substantial customer base and proven execution capabilities, we have experienced rapid growth and achieved leading market positions in developing new businesses in the PRC securities industry, such as margin financing and securities lending, stock index futures trading and direct investment businesses. According to the data from the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the China Financial Futures Exchange, we ranked:

- first among PRC securities firms in terms of margin trading volume for the nine months ended September 30, 2011, and in terms of margin loan balance and market value of securities lent as of September 30, 2011;
- first among PRC futures companies in terms of stock index futures trading volume for the nine months ended September 30, 2011; and
- second among PRC securities firms in terms of registered capital of direct investment subsidiaries as of December 31, 2010.

In recent years, we have received numerous awards and honors in recognition of our outstanding performance and management capabilities, including, among others:

- “2011 Best PRC Securities Firm” by Moneyweek;
- “2011 Best PRC Investment Bank” by Moneyweek;
- “2011 Best PRC Investment Bank For Equity Refinancing” by Moneyweek;
- “2010 Best PRC Securities Firm” by 21st Century Business Herald;
- “2010 Top 10 PRC Investment Banks” by Moneyweek; and
- “2009 Best Securities Broker” by Securities Times.

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As of December 31, 2008, 2009 and 2010 and September 30, 2011, we had total assets of RMB74,686.0 million, RMB120,730.2 million, RMB115,413.1 million and RMB101,050.5 million, respectively, and total equity of RMB38,637.0 million, RMB44,518.6 million, RMB45,616.8 million and RMB46,014.8 million, respectively. For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, our total revenue and other income was RMB7,948.2 million, RMB11,315.8 million, RMB11,304.9 million and RMB8,036.1 million, respectively, and our profit was RMB3,385.0 million, RMB4,661.7 million, RMB3,868.2 million and RMB2,887.6 million, respectively.

We derive substantially all of our revenue from the securities markets. Like other businesses operating in the same industry, our business is primarily affected by the general economic and market conditions in the PRC and overseas. In addition, the PRC securities industry is highly competitive and we face intense competition in most of our business lines, particularly our brokerage business. Please see “Risk Factors” in this prospectus for more information.

### RECENT DEVELOPMENTS

The recent tightening monetary policy and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas securities markets during the third quarter of 2011. For example, the Shanghai Stock Exchange Composite Index decreased from 2,762.1 as of June 30, 2011 to 2,359.2 as of September 30, 2011, representing a decline of approximately 14.6%. As a result, we recorded a net investment loss of RMB303.1 million in our proprietary trading business in the PRC during the third quarter of 2011 compared to a net investment gain of RMB802.7 million during the first half of 2011. For a detailed discussion of our results of operations and segment results for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010, please see “Recent Developments” in this prospectus.

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since September 30, 2011.

### COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- full-service securities firm in the PRC with leading market positions across multiple business lines;
- strategically located branch network across the PRC with a substantial and stable customer base;
- a pioneer in the PRC securities industry for offering new businesses;
- well-established international platform to capture growing cross-border business opportunities;

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- prudent corporate governance and effective risk management and internal control systems; and
- experienced and stable management team with a highly proficient professional workforce.

### BUSINESS STRATEGIES

We aim to become a domestic top-tier and globally renowned financial group with a distinct focus on the securities business. Through continuous innovation and leveraging our international platform, we plan to focus on the PRC market and stay committed to core financial intermediary services, including our securities and futures brokerage, investment banking and asset management businesses. Further, we intend to expand and promote our proprietary trading and direct investment businesses to supplement our core financial intermediary businesses while generating competitive risk-adjusted returns. In addition, we plan to strengthen our business infrastructure, including risk management, research capabilities, IT and human resources, to support our business growth. Our specific strategies include the following:

- further enhance our leading market position and profitability in the securities and futures brokerage business;
- maintain the growth momentum of our investment banking business and further integrate our business platform;
- strategically expand our asset management business to provide comprehensive product offerings to meet increasing and diversifying customer demands;
- continue to expand and promote new businesses and products with high growth potential;
- actively pursue our internationalization strategy to capture cross-border opportunities; and
- strengthen our risk management systems, internal controls, IT capabilities, research capabilities and human resource management to support our business operations.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

#### Summary Audited Financial Data

The following tables set forth our summary consolidated financial information for the years ended December 31, 2008, 2009 and 2010 and the six months ended June 30, 2010 (unaudited) and 2011 and as of December 31, 2008, 2009 and 2010 and June 30, 2011. We have derived the summary from our consolidated financial information set forth in the Accountants'

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Report in Appendix I to this prospectus. The following summary should be read together with, and is qualified in its entirety by reference to, the consolidated financial information in Appendix I to this prospectus, including the accompanying notes, and the information set forth in “Financial Information” in this prospectus.

### *Summary Consolidated Income Statements*

	Year ended December 31,			Six months ended June 30,	
	2008	2009	2010	2010	2011
	(unaudited)				
	(RMB in millions)				
<b>Revenue</b>					
Commission and fee income . .	5,527.1	8,753.4	8,384.1	3,880.5	3,689.6
Interest income . . . . .	1,386.6	1,407.0	1,647.0	746.9	1,205.5
Net investment gains . . . . .	927.7	888.1	1,077.8	289.8	997.2
Total revenue . . . . .	7,841.4	11,048.5	11,108.9	4,917.2	5,892.3
Other income and gains . . . . .	106.8	267.3	196.0	55.6	60.8
<b>Total revenue and other income . . . . .</b>	<b>7,948.2</b>	<b>11,315.8</b>	<b>11,304.9</b>	<b>4,972.8</b>	<b>5,953.1</b>
Total expenses . . . . .	(4,347.9)	(5,400.0)	(6,393.4)	(2,537.0)	(2,924.0)
Share of results of associates . . .	97.6	66.0	78.2	39.6	34.0
<b>Profit before income tax . . . . .</b>	<b>3,697.9</b>	<b>5,981.8</b>	<b>4,989.7</b>	<b>2,475.4</b>	<b>3,063.1</b>
Income tax expense . . . . .	(312.9)	(1,320.1)	(1,121.5)	(550.1)	(724.0)
<b>Profit for the year/period . . . . .</b>	<b>3,385.0</b>	<b>4,661.7</b>	<b>3,868.2</b>	<b>1,925.3</b>	<b>2,339.1</b>
Attributable to:					
Owners of the Company . . . . .	3,301.6	4,548.2	3,686.3	1,842.0	2,234.8
Non-controlling interests . . . . .	83.4	113.5	181.9	83.3	104.3

### *Summary Consolidated Statements of Financial Position*

	As of December 31,			As of
	2008	2009	2010	June 30, 2011
	(RMB in millions)			
Non-current assets . . . . .	2,199.8	3,613.5	5,116.6	5,666.2
Current assets . . . . .	72,486.2	117,116.7	110,296.5	100,391.6
<b>Total assets . . . . .</b>	<b>74,686.0</b>	<b>120,730.2</b>	<b>115,413.1</b>	<b>106,057.8</b>
Current liabilities . . . . .	35,977.0	75,739.8	69,600.2	59,624.3
Non-current liabilities . . . . .	72.0	471.8	196.1	133.7
<b>Total liabilities . . . . .</b>	<b>36,049.0</b>	<b>76,211.6</b>	<b>69,796.3</b>	<b>59,758.0</b>
<b>Total equity . . . . .</b>	<b>38,637.0</b>	<b>44,518.6</b>	<b>45,616.8</b>	<b>46,299.8</b>
Equity attributable to owners of the Company .	38,362.0	43,414.0	44,467.4	45,153.5
Non-controlling interests . . . . .	275.0	1,104.6	1,149.4	1,146.3

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### Summary Unaudited Financial Data

As required by the Shanghai Listing Rules, we published our quarterly report on October 28, 2011, containing our unaudited consolidated financial statements as of and for the nine months ended September 30, 2011 prepared under PRC GAAP. We have included our unaudited consolidated financial statements prepared in accordance with IAS 34 as of and for the nine months ended September 30, 2011, in condensed form, in the unaudited interim financial report set forth in Appendix II to this prospectus. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2400.

The following selected unaudited financial data are derived from, and should be read together with our unaudited condensed consolidated financial statements in Appendix II to this prospectus, including the accompanying notes, and the information set forth in “Recent Developments” in this prospectus.

There is no difference in the profit attributable to the owners of the Company for the nine months ended September 30, 2011 and total equity attributable to the owners of the Company as of September 30, 2011 between our unaudited consolidated financial statements prepared under PRC GAAP and our unaudited condensed consolidated financial statements prepared under IFRS.

### Summary Unaudited Consolidated Income Statement

	Nine months ended September 30,	
	2010	2011
	(unaudited) (RMB in millions)	
<b>Revenue</b>		
Commission and fee income . . . . .	5,651.8	5,289.4
Interest income . . . . .	1,160.4	1,844.5
Net investment gains . . . . .	804.8	789.6
Total revenue . . . . .	7,617.0	7,923.5
Other income and gains . . . . .	70.3	112.6
<b>Total revenue and other income . . . . .</b>	<b>7,687.3</b>	<b>8,036.1</b>
Total expenses . . . . .	(3,996.4)	(4,357.0)
Share of results of associates . . . . .	58.1	50.7
<b>Profit before income tax . . . . .</b>	<b>3,749.0</b>	<b>3,729.8</b>
Income tax expense . . . . .	(860.6)	(842.2)
<b>Profit for the period . . . . .</b>	<b>2,888.4</b>	<b>2,887.6</b>
Attributable to:		
Owners of the Company . . . . .	2,753.6	2,728.6
Non-controlling interests . . . . .	134.8	159.0

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### *Summary Unaudited Consolidated Statements of Financial Position*

	As of December 31, 2010	As of September 30, 2011
		(unaudited)
		(RMB in millions)
Non-current assets . . . . .	5,116.6	6,520.1
Current assets . . . . .	110,296.5	94,530.4
<b>Total assets . . . . .</b>	<b>115,413.1</b>	<b>101,050.5</b>
Current liabilities . . . . .	69,600.2	54,946.6
Non-current liabilities . . . . .	196.1	89.1
<b>Total liabilities . . . . .</b>	<b>69,796.3</b>	<b>55,035.7</b>
<b>Total equity . . . . .</b>	<b>45,616.8</b>	<b>46,014.8</b>
Equity attributable to owners of the Company . . . . .	44,467.4	44,801.7
Non-controlling interests . . . . .	1,149.4	1,213.1

### KEY FINANCIAL AND OPERATING DATA

The following table sets forth the breakdown of our total revenue and other income by business segments and segment revenue and other income expressed as a percentage of our total revenue and other income for the periods indicated:

	Year ended December 31,						Six months ended June 30,				Nine months ended September 30,			
	2008		2009		2010		2010		2011		2010		2011	
							(unaudited)				(unaudited)		(unaudited)	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
<b>PRC business</b>														
Securities and futures														
brokerage . . . . .	4,329.5	57.0	7,284.0	64.4	5,774.8	51.1	2,486.5	50.0	2,297.2	38.6	3,800.6	49.4	3,295.9	41.0
Investment banking . . . . .	267.6	3.4	496.8	4.4	1,091.7	9.7	613.1	12.3	622.0	10.5	714.5	9.3	852.6	10.6
Asset management . . . . .	633.8	8.0	878.9	7.8	868.5	7.7	376.4	7.6	514.8	8.6	591.7	7.7	835.1	10.4
Proprietary trading . . . . .	685.0	8.6	804.8	7.1	779.8	6.9	191.1	3.8	802.7	13.5	680.3	8.9	499.6	6.2
Direct investment . . . . .	4.9	0.1	52.1	0.5	106.0	0.9	16.3	0.3	23.4	0.4	36.0	0.5	31.6	0.4
Headquarters and others <sup>(1)</sup> . . . . .	1,817.6	22.8	1,602.0	14.1	1,779.1	15.7	927.2	18.7	1,168.1	19.6	1,278.0	16.6	1,781.3	22.2
<b>Overseas business . . . . .</b>	<b>9.8</b>	<b>0.1</b>	<b>197.2</b>	<b>1.7</b>	<b>905.0</b>	<b>8.0</b>	<b>362.2</b>	<b>7.3</b>	<b>524.9</b>	<b>8.8</b>	<b>586.2</b>	<b>7.6</b>	<b>740.0</b>	<b>9.2</b>
<b>Total . . . . .</b>	<b>7,948.2</b>	<b>100.0</b>	<b>11,315.8</b>	<b>100.0</b>	<b>11,304.9</b>	<b>100.0</b>	<b>4,972.8</b>	<b>100.0</b>	<b>5,953.1</b>	<b>100.0</b>	<b>7,687.3</b>	<b>100.0</b>	<b>8,036.1</b>	<b>100.0</b>

- (1) Revenue and other income in headquarters and others mainly includes: (i) interest income from our own bank deposits and deposits we hold on behalf of our customers; and (ii) dividends and other investment gains as well as government grants. For more details, please see “Financial Information – Summary Segment Results” and “Appendix I – Accountants’ Report” in this prospectus.



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

	Year ended December 31,			Six months ended June 30,		Nine months ended September 30,	
	2008	2009	2010	2010	2011	2010	2011
Trading volume of securities brokerage (RMB in billions) <sup>(1)</sup> . . . . .	3,334.1	5,411.5	5,398.7	2,293.1	2,648.8	3,554.3	4,297.4
Trading volume of futures brokerage (RMB in billions) . . . . .	755.7	1,866.8	10,517.5	2,906.0	6,088.1 <sup>(2)</sup>	6,451.8	9,195.4 <sup>(2)</sup>
Amount of equity securities underwritten (RMB in millions) . . . . .	7,441.4	7,530.4	49,657.7	31,779.1	8,290.2	33,292.9	13,383.7
Amount of debt securities underwritten (RMB in millions) . . . . .	420.0	10,640.0	12,320.0	6,670.0	13,458.0	7,320.0	13,458.0
AUM <sup>(3)</sup> (RMB in millions). .	53,217.2	61,788.8	74,726.5	58,616.2	73,332.9	65,136.6	70,986.2

- (1) The trading volume of our securities brokerage business includes trading volumes of other businesses, such as proprietary trading and asset management. For a discussion of the trading volume of transaction made on behalf of customers, please see “Business – Our Business and Operations – Securities and Futures Brokerage – Brokerage commission and fee income.”
- (2) The trading volume of the PRC futures market before 2011 included both sides of the trades. Since 2011, the trading volume of the PRC futures market has only included one side of the trades. For the purpose of comparison in this prospectus, the futures trading volumes for the six months ended June 30, 2011 and the nine months ended September 30, 2011 were adjusted to include both sides of the trades.
- (3) Our AUM represents the total value of assets that are managed by our Company and our subsidiaries including HFT Investment Management, Haitong-Fortis PE Management, Haitong Jihe Management and Haitong Chuangxin Management as of the last date of the periods indicated.

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

	Year ended December 31,			Six months ended June 30,		Nine months ended September 30,	
	2008	2009	2010	2010	2011	2010	2011
				(unaudited)		(unaudited)	(unaudited)
	(RMB in millions, except percentages)						
Operating profit <sup>(1)</sup> . . . . .	3,493.5	5,648.5	4,715.5	2,380.1	2,968.3	3,620.6	3,566.5
Operating margin <sup>(2)</sup> . . . . .	44.6%	51.1%	42.4%	48.4%	50.4%	47.5%	45.0%
Adjusted operating margin <sup>(3)</sup> . .	51.0%	57.6%	48.9%	54.9%	57.5%	54.2%	52.3%
Net profit . . . . .	3,385.0	4,661.7	3,868.2	1,925.3	2,339.1	2,888.4	2,887.6
Net margin <sup>(4)</sup> . . . . .	43.2%	42.2%	34.8%	39.2%	39.7%	37.9%	36.4%
Adjusted net margin <sup>(5)</sup> . . . . .	49.4%	47.5%	40.1%	44.4%	45.3%	43.2%	42.4%

(1) Operating profit = total revenue – total expenses

(2) Operating margin = (total revenue – total expenses)/total revenue

(3) Adjusted operating margin = (total revenue – total expenses)/(total revenue – commission to account executives – brokerage transaction fees and other services expenses – interest expenses). Adjusted operating margin is presented here because we believe that, after excluding, (i) commission to account executives, (ii) brokerage transaction fees and other services expenses and (iii) interest expenses, such measurement provides a meaningful indicator of our results of operations that is more comparable to other PRC listed securities companies due to different presentation requirements from the CSRC. Prospective investors should be aware that adjusted operating margin presented in this prospectus may not be comparable to other similarly titled measures reported by other companies, due to different calculation methods or assumptions.

(4) Net margin = profit for the year or period/total revenue

(5) Adjusted net margin = (profit for the year or period)/(total revenue – commission to account executives – brokerage transaction fees and other services expenses – interest expenses). Adjusted net margin is presented here for the reasons stated in note 3 above.

## CAPITAL ADEQUACY AND RISK CONTROL INDICATOR

According to the Risk Control Indicator Measures, we have established a dynamic Net Capital monitoring mechanism to comply with statutory Net Capital requirements and other regulatory standards for capital adequacy. In addition, we also need to maintain a minimum amount of Net Capital to conduct our margin financing and securities lending, asset management and underwriting businesses. As of December 31, 2008, 2009, 2010 and September 30, 2011, we were in compliance with all of our capital adequacy and risk control indicator requirements. As of September 30, 2011, our Net Capital amounted to RMB31.1 billion, the second highest among the PRC securities companies.

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The following table sets forth our Net Capital and key regulatory risk control indicators that we prepared in accordance with PRC GAAP and relevant PRC regulatory requirements as of the dates indicated. During the Track Record Period, our Net Capital and key risk control indicators have far exceeded the required level.

	As of December 31,			As of June 30,	As of September 30, 2011	Warning level <sup>(1)</sup>	Minimum/ Maximum level
	2008	2009	2010	2011			
Net Capital <sup>(2)</sup> (RMB in millions) . . . . .	34,145.4	34,390.9	32,459.5	33,270.5	31,138.7	>240.0	>200.0
Net assets/total risk capital reserves <sup>(3)</sup> (%) . . . . .	1,221.3%	779.2%	571.7%	498.0%	426.1%	>120.0%	>100.0%
Net Capital/net assets (%) . . . . .	89.3%	79.8%	74.0%	74.3%	69.9%	>48.0%	>40.0%
Net Capital/total liabilities <sup>(4)</sup> (%) . . . . .	1,600.3%	440.9%	1,232.5%	349.8%	243.3%	>9.6%	>8.0%
Net assets/total liabilities (%) . . . . .	1,791.6%	552.3%	1,665.0%	470.6%	347.8%	>24.0%	>20.0%
Value of equity securities and derivatives held/Net Capital (%) . . . . .	3.2%	25.3%	26.9%	37.0%	42.2%	<80.0%	<100.0%
Value of fixed income securities held/Net Capital (%) . . . . .	31.5%	29.5%	36.3%	42.4%	55.3%	<400.0%	<500.0%

- (1) The warning level is set by the CSRC according to the Risk Control Indicator Measures. If a risk control indicator is required to stay above a minimum level, the warning level is 120% of the minimum requirement, and if a risk control indicator is required to stay below a maximum level, the warning level is 80% of the maximum requirement.
- (2) Net Capital equals net assets minus risk adjustments of financial assets minus risk adjustments of other assets and contingent liabilities plus/minus other adjustments determined or authorized by the CSRC.
- (3) Risk capital reserve is a statutory reserve for PRC securities firms to cover any loss that securities firms may incur in their ordinary course of business and setting up of subsidiaries and branches. Such reserve is calculated based on a securities firm's Net Capital.
- (4) Total liabilities exclude the accounts payable to our brokerage clients.

In addition to the risk control indicators mentioned above, the Risk Control Indicator Measures require us to comply with the following requirements when we engage in proprietary trading: (i) the cost of holding one kind of equity securities should not exceed 30% of our Net Capital; and (ii) the market value of one kind of equity securities we hold should not exceed 5% of its total market value, except for owing to underwriting activities or otherwise approved by the CSRC. Meanwhile, when conducting margin financing and securities lending activities, we need to comply with the following requirements: (i) the value of margin financing granted to a single customer should not exceed 5% of our Net Capital; (ii) the value of securities lent to a single customer should not exceed 5% of our Net Capital; and (iii) the market value of one kind of securities we hold should not exceed 20% of its total market value. We closely monitor all risk control indicators when conducting our proprietary trading and margin financing and securities lending businesses. During the Track Record Period, we did not have any non-compliances with these risk control indicators nor have we received any warnings or penalties from the CSRC.

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## SUMMARY

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### REGULATORY NON-COMPLIANCES

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC, Hong Kong and Macau (including but not limited to the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, the SFC and their respective local branches and offices (if applicable)).

We or our employees have, from time to time, been involved in incidents of regulatory non-compliance and received related notices or warnings from the relevant regulatory authorities. For details of the regulatory non-compliance incidents committed by us and our employees during the Track Record Period and up to the Latest Practicable Date, and the primary remedial measures we adopted, please see “Business – Legal and Regulatory – Regulatory non-compliances.”

Our Directors and our PRC legal advisors confirm that the regulatory non-compliance incidents disclosed in this prospectus are not significant to our business operations and did not have any material adverse effect on our business, financial condition and results of operations. Our Directors also confirm that none of our existing Directors nor members of our senior management were involved in any regulatory non-compliance incidents.

### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

Forecast consolidated profit attributable to owners of	Not less than
the Company for the year ending December 31, 2011 <sup>(1)</sup> . . . . .	RMB3,140 million
Forecast earnings per Share	
(a) pro forma basis <sup>(2)</sup> . . . . .	RMB0.33 (HK\$0.41)
(b) weighted average basis <sup>(3)</sup> . . . . .	RMB0.38 (HK\$0.46)

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(1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared are set out in “Appendix IV – Profit Forecast” in this prospectus.

(2) The calculation of the forecast earnings per Share on a pro forma basis in accordance with Rule 4.29(8) of the Listing Rules is based on our forecast consolidated net profit attributable to the owners of our Company for the year ending December 31, 2011, and an assumption that a weighted average number of Shares issued and outstanding during the year ending December 31, 2011 would be 9,457,221,180. The weighted average of 9,457,221,180 Shares is calculated based on the 8,227,821,180 Shares issued and outstanding as of December 31, 2010 and the 1,229,400,000 H shares to be issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on January 1, 2011.

## SUMMARY

- (3) The calculation of the forecast earnings per Share on a weighted average basis in accordance with IAS 33 is based on the forecast consolidated net profit attributable to the owners of our Company for the year ending December 31, 2011 and a weighted average of 8,285,080,906 Shares issued and outstanding during the year ending December 31, 2011. The weighted average of 8,285,080,906 Shares is calculated based on the 8,227,821,180 Shares issued and outstanding as of December 31, 2010, and the 1,229,400,000 H shares to be issued pursuant to the Global Offering on the assumption that the Global Offering was completed on December 15, 2011.

## OFFERING STATISTICS

All statistics in this table are based on the assumptions that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$9.38	Based on an Offer Price of HK\$10.58
Market capitalization of the H Shares <sup>(1)</sup> . . . . .	HK\$12,684.9 million	HK\$14,307.8 million
Estimated price/earnings multiple		
(a) pro forma basis <sup>(2)</sup> . . . . .	23.1 times	26.0 times
(b) weighted average basis <sup>(3)</sup> . . . . .	20.2 times	22.8 times
Unaudited pro forma adjusted net tangible asset value per Share <sup>(4)</sup> . . . . .	HK\$6.86	HK\$7.01

- (1) The calculation of market capitalization is based on 1,352,340,000 H Shares (including 1,229,400,000 H Shares to be issued in the Global Offering and 122,940,000 H Shares to be converted from A Shares and transferred to the NSSF) that are expected to be outstanding immediately following the completion of the Global Offering.
- (2) The calculation of estimated price/earnings multiple is based on the forecast earnings per Share for the year ending December 31, 2011, on a pro forma basis at the respective Offer Prices of HK\$9.38 and HK\$10.58 per H Share, assuming a weighted average of 9,457,221,180 Shares issued and outstanding during the year ending December 31, 2011. The weighted average of 9,457,221,180 Shares is calculated based on the 8,227,821,180 Shares issued and outstanding as of December 31, 2010 and the 1,229,400,000 H Shares to be issued pursuant to the Global Offering on the assumption that the Global Offering had been completed on January 1, 2011.
- (3) The calculation of estimated price/earnings multiple is based on the forecast earnings per Share for the year ending December 31, 2011, on a weighted average basis at the respective Offer Prices of HK\$9.38 and HK\$10.58 per H Share, assuming a weighted average of 8,285,080,906 Shares issued and outstanding during the year ending December 31, 2011. The weighted average of 8,285,080,906 Shares is calculated based on the 8,227,821,180 Shares issued and outstanding as of December 31, 2010, and the 1,229,400,000 H Shares to be issued pursuant to the Global Offering on the assumption that the Global Offering was completed on December 15, 2011.
- (4) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix III to this prospectus and based on the 9,457,221,180 Shares expected to be in issue immediately following the completion of the Global Offering.

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## SUMMARY

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### DIVIDEND POLICY

After the completion of the Global Offering, we may distribute dividends in the form of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the general risk reserve of not less than 10% of our profit after tax;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required;
- allocations to the transaction risk reserve of not less than 10% of our profit after tax; and
- allocations, if any, to a discretionary common reserve fund that are approved by our Shareholders in a Shareholders' meeting.

In accordance with our Articles of Association, (i) dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower; (ii) any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years; and (iii) aggregate cash dividends distributed by us in the most recent three fiscal years could not be less than 30% of our average annual distributable profits for the same three fiscal years.

For the years ended December 31, 2008, 2009 and 2010, we declared cash dividends of RMB822.8 million, RMB1,645.6 million and RMB1,234.2 million, respectively, representing a dividend of RMB0.10, RMB0.20 and RMB0.15 per Share, respectively. After the Global Offering, holders of our H Shares and A Shares will have the same rights to our distributable profits as of December 31, 2011 and thereafter. Please see "Financial Information – Dividend Policy."

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## SUMMARY

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### USE OF PROCEEDS

Assuming an Offer Price of HK\$9.98 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$9.38 and HK\$10.58 per H Share), we estimate that we will receive net proceeds of approximately HK\$11,826.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses if the Over-allotment Option is not exercised.

In line with our strategies, we intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 35.0%, or HK\$4,139.2 million, will be used for strategic acquisitions of overseas securities firms and/or further expansion of our overseas securities business. For overseas acquisitions, we seek potential targets with: (i) meaningful presence in local markets; (ii) complementary business and synergies with our business; (iii) a controlling interest available for acquisition; and (iv) complementary customer base, distribution network and professional expertise with us. As of the Latest Practicable Date, the Directors confirmed that we have not identified any overseas acquisition targets;
- approximately 20.0%, or HK\$2,365.3 million, will be used to expand our margin financing and securities lending business in order to capture future business opportunities arising from its rapid growth in the PRC and to strengthen our market leading position;
- approximately 20.0%, or HK\$2,365.3 million, will be used to develop our alternative financial products investment business and other new businesses as permitted by the PRC regulatory authorities;
- approximately 15.0%, or HK\$1,774.0 million, will be used for capital contributions to Haitong Capital Investment and the expansion of our direct investment and private equity funds management businesses; and
- approximately 10.0%, or HK\$1,182.6 million, will be used for working capital and general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK\$1,785.1 million, after deducting the underwriting commissions and other estimated expenses, assuming an Offer Price of HK\$9.98 per H Share (being the mid-point of the stated range of the Offer Price of between HK\$9.38 and HK\$10.58 per H Share). We intend to use all the additional net proceeds proportionately as earmarked above.

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## SUMMARY

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The allocation of the proceeds used for the above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK\$10.58 per H Share, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by approximately HK\$715.5 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$822.8 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we presently intend to use such additional proceeds to increase the net proceeds applied for the same purposes as set out above on a *pro rata* basis. If the Offer Price is fixed at HK\$9.38 per H Share, being the low end of the stated Offer Share range, our net proceeds will be (i) decreased by approximately HK\$715.5 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$822.8 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we presently intend to reduce the net proceeds applied for the same purposes as set out above on a *pro rata* basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, our Directors currently intend that such proceeds will be placed in short-term interest-bearing instruments such as bank deposits or money market funds with licensed banks or financial institutions.

### RISK FACTORS

Investing in our H Shares involves several risks. These risks include risks relating to (i) our business and industry; (ii) the PRC; and (iii) the Global Offering.

#### Risks Relating to Our Business and Industry

We set forth below some major risks we identified relating to our business and the securities industry that are ranked in order of importance:

- General economic and market conditions could materially and adversely affect our business;
- We face intense competition and our business could be materially and adversely affected if we are unable to compete effectively;
- Our securities and futures brokerage business is subject to various risks and we cannot assure you that our brokerage commission and fee income can be sustained;
- Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and we cannot assure you that our underwriting and sponsors fees can be sustained;
- A significant decline in the size of our AUM or poor management performance may materially and adversely affect our asset management business;



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## SUMMARY

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- Our proprietary trading business is subject to market volatility and our investment decisions;
- Our direct investment business is subject to our investment decisions and market volatility;
- Any significant disruption in the operations of Haitong International Securities in Hong Kong or our other overseas operations could have a material adverse effect on our overseas business;
- Our business is subject to concentration risks due to significant holdings of financial assets or significant capital commitments;
- A significant decrease in our liquidity could negatively affect our business and reduce customer confidence in us;
- We are subject to extensive regulatory requirements, the non-compliance with which could cause us to incur penalties;
- New legislation or changes in the PRC regulatory requirements may affect our business operations and prospects;
- 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;
- We may suffer significant losses from our credit exposures;
- We face additional risks as we expand our product and service offerings;
- Significant interest rate fluctuations could affect our financial condition and results of operations;
- Our operations depend on key management and professional staff and our business may suffer if we are unable to retain or replace them;
- Future acquisitions and overseas expansions may not be successful;
- 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;
- We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties;
- 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 rely heavily on IT systems to process and record our transactions and offer online products and services;

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## SUMMARY

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- Our business is susceptible to the operational failure of third parties;
- 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;
- A failure to appropriately identify and address conflicts of interests could adversely affect our business; and
- We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information of our customers.

### **Risks Relating to the PRC**

- Economic, political and social conditions in the PRC and government policies could affect our business and prospects;
- The PRC legal system has inherent uncertainties that could limit the legal protection available to you;
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management;
- Investments in PRC securities firms are subject to ownership restrictions that may adversely affect the value of your investment;
- You may be subject to PRC taxation;
- Government control of currency conversion may adversely affect the value of your investments;
- Future fluctuations in the value of the Renminbi could have a material adverse effect on our financial condition and results of operations; and
- 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.

### **Risks Relating to the Global Offering**

- Our A Shares were listed in China in 2007 and the characteristics of the A share and H share markets may differ;
- There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile;
- Future sales or perceived sales of substantial amounts of our H Shares in the public market or the conversion of our A 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;

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## SUMMARY

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- 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;
- Dividends declared in the past may not be indicative of our dividend policy in the future;
- Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable;
- You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange or with the listing of the shares of our subsidiary, Haitong International Securities, on the Hong Kong Stock Exchange or other media outlets; and
- 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 and the Global Offering.