You should carefully consider all of the information 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 countries. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Environment," "Appendix VI – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VII – Summary of the Articles of Association."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

General economic and market conditions could materially and adversely affect our business.

Substantially all of our revenue is derived from the securities markets. Like other businesses operating in the same industry, our business is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in the trading volume and the credit capacity or perceived credit worthiness of the securities industry in the marketplace. Our business is also subject to general economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. For example, due largely to the global financial crisis in 2008, securities markets in the PRC and overseas (including Hong Kong) experienced substantial losses and the overall business environment was extremely adverse, which had a material adverse effect on our principal business lines in 2008. In 2010 and 2011, 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 and the volatility in the PRC A share markets, as well as the financial instability in the U.S. and euro zone economies. During the third quarter of 2011, the tightening monetary policies 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. 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.

Turmoil in the financial markets, a downturn in general economic conditions or other risks associated with our business and the securities industry in general could reduce securities trading and corporate finance activities and affect the value of certain financial assets, which may consequently have a material adverse effect on our commission and fees from brokerage, investment banking and asset management businesses, as well as our returns on financial assets and investments. A reduction in our income or a loss resulting from our underwriting, investments or trading activities could have a material adverse effect on our business, results of operations and financial condition. As a result of these risks, our income and operating results may be subject to significant fluctuations.

We face intense competition and our business could be materially and adversely affected if we are unable to compete effectively.

The PRC securities industry is highly competitive and we face intense competition in most of our business lines:

- For our securities brokerage business, we compete primarily with other PRC securities firms in terms of pricing and the range of products and services offered. Currently, there are more than 100 registered securities firms in the PRC and intense price competition in recent years has lowered commission rates for our securities brokerage business. For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, our average securities brokerage commission rate was 0.169%, 0.147%, 0.118% and 0.102%, respectively, which adversely affected our brokerage commission and fee income. Please see "– 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."

- For our investment banking business, we compete primarily with other PRC and Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and distribution capability, service quality, financial strength and pricing. Intense competition may result in lower underwriting and advisory fees for our investment banking business. Please see "– 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."

- For our asset management business, we compete primarily with fund management companies, banks, insurance companies and other financial institutions in the PRC in terms of the range of products and services offered, pricing and quality of customer service.

- For our direct investment business, we compete primarily with other PRC securities firms that are qualified to conduct direct investment business and private equity firms in the PRC.

Some of our competitors may have certain competitive advantages over us, including greater financial resources, stronger brand recognition, broader product and service offerings, more advanced IT systems and a branch network with wider geographic coverage. They may also have more experience with a broader range of services and more complex financial products than we do.

In addition, with regulatory changes and other factors that contribute to the gradual relaxation of the PRC securities regulations, more competitors are seeking to enter or expand in our industry. We believe that the PRC securities industry is becoming increasingly competitive. Our failure to remain competitive will have a material and adverse effect on our business, financial condition, results of operations and prospects.

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.

Brokerage commission and fee income represent a significant portion of our revenue. For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our securities and futures brokerage business in the PRC amounted to RMB4,529.5 million, RMB7,284.0 million, RMB5,774.8 million and RMB3,295.9 million, respectively, representing 57.0%, 64.4%, 51.1% and 41.0% of our total revenue and other income, respectively.

Our securities and futures brokerage business is affected by external factors such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond our control. For example, the CSI 300 Index decreased by 12.5% in 2010 as a result of increased inflation, tightened monetary policies and rising concerns over the PRC domestic economy. Such unfavorable market conditions adversely affected our securities trading volume, which, in turn, has reduced our brokerage commission and fee income.

In addition, market competition is another key factor affecting our securities and futures brokerage business. We monitor our product pricing in relation to competitors and adjust commission rates and other fee structures to enhance our competitiveness. For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, our average securities brokerage commission rate was 0.169%, 0.147%, 0.118% and 0.102%, respectively. Mainly due to the decline in our average securities brokerage commission rate, our commission and fee income on securities brokerage decreased by 18.2% in 2010 compared to 2009 and further decreased by 18.7% for the nine months ended September 30, 2011 compared to the corresponding period in 2010.

With the gradual relaxation of the PRC securities regulations, we believe that the PRC securities industry will become increasingly competitive. If the PRC regulatory authorities further relax the restrictions on the opening of brokerage branches, competition may increase and we cannot assure you that we would not further lower our brokerage commission rates in order to stay competitive. As a result, we cannot assure you that our brokerage commission and fee income can be sustained at current levels.

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.

For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our investment banking business in the PRC amounted to RMB267.6 million, RMB496.8 million, RMB1,091.7 million and RMB852.6 million, respectively, representing 3.4%, 4.4%, 9.7% and 10.6% of our total revenue and other income, respectively. Although our investment banking business has had a rapid growth in revenue and profit in recent years, we cannot assure you that such growth rate will be sustained due to the risks associated with our investment banking business as discussed below.

Our investment banking business is subject to certain risks that are primarily related to the underwriting of securities. The primary offering of securities in the PRC, especially an IPO, is subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews 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 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, because we receive most of our fees only after the successful completion of a securities offering. 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.

In addition, substantial capital market volatility may cause the securities underwritten by us to be undersubscribed. Since we may underwrite securities offerings on a firm commitment basis, we would then 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.

Intensifying price competition in 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. This could cause our underwriting and sponsors fees to be reduced, which could adversely affect our business, financial condition and results of operations. As a result, we cannot assure you that our underwriting and sponsors fees can be sustained at current levels.

Furthermore, when acting as a sponsor in the underwriting of securities, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC 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 underwriting process.

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

For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our asset management business in the PRC amounted to RMB633.8 million, RMB878.9 million, RMB868.5 million and RMB835.1 million, respectively, representing 8.0%, 7.8%, 7.7% and 10.4% of our total revenue and other income, respectively.

We receive asset management fees based on the value of our customer portfolios or investment in funds managed by us. In addition, we also provide private equity fund management, collective asset management and targeted asset management schemes in which we may also earn performance fees. 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 we receive.

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

For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our proprietary trading business in the PRC amounted to RMB685.0 million, RMB804.8 million, RMB779.8 million and RMB499.6 million, respectively, representing 8.6%, 7.1%, 6.9% and 6.2% of our total revenue and other income, respectively.

We trade equity and fixed income securities as well as derivative products for our own account. 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 stock index futures. We use derivative instruments to reduce the impact of 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 reduce our exposure to fluctuations in price volatility on our investment portfolio, and the derivatives we use may not be as effective as we 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 substantial 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 recent volatility in the PRC securities market and our inability to fully hedge against the volatile market trading, 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.

The performance of our proprietary trading business is determined by our investment decisions and judgments based on our assessment of existing and future market conditions. We closely monitor the market value and financial performance of our proprietary trading portfolio, and actively adjust such portfolio and allocate assets 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, and we could even suffer material losses, any of which would materially and adversely affect our business, financial condition and results of operations.

In addition, certain classes of our assets, such as our available-for-sale securities, are marked to market. A decline in the value of our available-for-sale securities can result in the recognition of impairment losses if management determines that such a 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 our management determines that an asset is impaired, the book value of the asset is adjusted and a corresponding loss is recognized in current earnings. A deterioration in the market value of available-for-sale securities could result in the recognition of impairment loss.

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

For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our direct investment business in the PRC amounted to RMB4.9 million, RMB52.1 million, RMB106.0 million and RMB31.6 million, respectively, representing 0.1%, 0.5%, 0.9% and 0.4% of our total revenue and other income, respectively. Although we had one private equity investment exit in 2010, we cannot assure you that we will be able to continue to exit from private equity investments in each year thereafter and the timing for such exits is subject to our investment decisions and market volatility.

Our direct investment business generally involves direct equity investments in private companies and investment in private equity funds with our own capital. We earn investment returns from dividends paid by our portfolio companies and generate capital gains from exits through an IPO or share sale by our portfolio company. To make a sound investment decision, we need to carefully identify and select a target business based on its business model and the industry in which it operates. In general, this selection process involves a systematic analysis and forecast of the target's profitability and sustainability. However, we may make unsound investment decisions, and our portfolio companies may take longer than expected to mature to a stage suitable for IPOs. As such, our investment period would be longer than we anticipated which could reduce our returns on investment. In addition, our ability to exit a private equity investment is also subject to market conditions in the PRC. Due to volatile equity capital markets, 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 at all. If we cannot sell our private equity investments during the planned disposition period, our investment returns will continue to be exposed to markets risks. Furthermore, if the target company does not reach the profitability we anticipated, our ability to exit from, or receive dividends on, such investments could be severely constrained. As a result, our business, financial condition and results of operations could be materially and adversely affected.

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.

For the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, segment revenue and other income from our overseas business amounted to RMB9.8 million, RMB197.2 million, RMB905.0 million and RMB740.0 million, representing 0.1%, 1.7%, 8.0% and 9.2% of our total revenue and other income, respectively.

As we generate most of the revenue and other income in our overseas business from our operations in Hong Kong, our overseas business depends on, to a large extent, the results of operations of Haitong International Securities and our other subsidiaries incorporated in Hong Kong. However, we cannot assure you that Haitong International Securities and our other Hong Kong operations may continue to experience the same level of growth or profitability. A variety of external factors that could significantly affect our operations in Hong Kong include, but are not limited to, changes in the general economic and market conditions in Hong Kong and compliance with various regulatory and legal requirements in Hong Kong. For example, the Hong Kong economy has experienced significant downturns in the past, including in connection with the outbreak of SARS in 2003 and the global financial crisis in 2008. These economic downturns resulted in substantial losses in the securities markets, significant deterioration in customers' asset quality and increases in the cost of funding in the overseas markets. Any significant disruption in the operations of Haitong International Securities or our other overseas operations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to concentration risks due to significant holdings of financial assets or significant capital commitments.

Certain of our business lines are capital-intensive, such as our investment banking, proprietary trading, direct investment and margin financing and securities lending businesses, and may result in us having significant holdings of selected asset classes. Such capital commitments expose us to concentration risks, including market risk, in the case of our holdings of concentrated or illiquid positions in a particular asset class as part of our proprietary trading and direct investment activities, as well as credit risk, in the case of our margin financing and securities lending business. Any decline in the value of our asset holdings may reduce our income or result in losses.

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

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our margin financing and securities lending, investment banking, proprietary trading, and other business activities with substantial cash requirements. We meet our liquidity needs primarily through cash generated by operating activities and, to a lesser extent, cash provided by external financing. A reduction in our liquidity could reduce the confidence of our customers or counterparties in us, which may result in the loss of business and customer accounts. In addition, 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%. 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.

Factors that may adversely affect our liquidity position include a significant increase in our margin financing activities, increased regulatory capital requirements, substantial investments, other regulatory changes or a loss of market or customer 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 disruptions in the credit and capital markets, potential sources of external financing could be limited and our borrowing costs could increase. Although our management believes that we maintain sufficient credit lines and banking facilities, 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 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. For example, the CSRC assigns a regulatory rating to each securities firm according to the sufficiency of its internal control policies, risk management capabilities, compliance with regulatory requirements and overall market position. For the past four consecutive years, we received an "AA" regulatory rating from the CSRC.

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 have failed to meet certain requirements and guidelines set by the PRC regulatory authorities. From time to time, we or our employees have been involved in incidents of regulatory non-compliance and received related notices or warnings from the relevant regulatory authorities. Based on the nature of the cases, we classify the incidents of regulatory non-compliance committed by us and our employees into the following three categories: (i) non-compliance incidents that led to administrative penalties; (ii) non-compliance incidents that led to regulatory measures and the deduction of regulatory points; and (iii) employee non-compliance incidents. These incidents of non-compliance include, among other things, the liquidation of customers' securities without their prior consent and the failure of our sponsor representatives to perform adequate due diligence on the issuer's financial and accounting matters. Please see "Business – Legal and Regulatory – 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.

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

The PRC securities industry is a highly regulated industry and relevant rules and regulations could be changed from time to time based on the development of the securities markets. New rules and regulations, changes in the interpretation or enforcement of currently existing rules and regulations may directly impact our business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on the business lines we may conduct, modifications to our business practices or additional costs.

In particular, we have been selected by PRC regulators as one of the first securities firms to develop new businesses in the PRC securities industry, such as stock index futures and margin financing and securities lending businesses. However, as the PRC securities industry is still evolving, most of the newly introduced businesses require further development and improvement and there are some uncertainties regarding the enforcement of existing rules and regulations in relation to these new businesses. 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.

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, liquidity risk and operational 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 observed 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 that we rely on for our risk management methods may become quickly outdated as markets and regulations continue to evolve.

Management of operational, legal and regulatory 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. These policies, procedures and internal controls may not be adequate or effective 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 may leave us exposed to unidentified and unanticipated risks.

Furthermore, our risk management procedures and asset allocation decisions govern our proprietary trading and investment portfolio. We may not have adequate risk management tools, policies and procedures, and may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques related to our proprietary trading and investment portfolio. If our decision-making process fails to effectively minimize losses while capturing gains, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

We may suffer significant losses from our credit exposures.

Our businesses are subject to risks that a customer or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations might be inadequate. While we have internal policies and procedures designed to manage such risks, 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." Our credit exposure mainly results from our margin financing and securities lending business and our role as a counterparty in financial and derivative contracts. Any material non-payment or non-performance by a customer or counterparty could adversely affect our financial position, results of operations and cash flows.

In addition, we have exposure to credit risk associated with our available-for-sale investments and held-to-maturity financial assets. These investments may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's credit worthiness, delinquency and default rates and other factors, which could adversely affect our financial condition and results of operations.

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

We are committed to providing new products and services in order to strengthen our leading market position in the PRC securities industry. We have recently expanded our business to include, among others, margin financing and securities lending, stock index futures trading and direct investment. These new businesses expose us to additional risks. For example, although we have established a margin call risk control mechanism through which we monitor the value of our customers' collateral on a real-time basis, we may be subject to substantial risks if borrowers of margin loans default on payments or if the value of the collateral for the loans is insufficient to cover the margin loans due to significant market volatility. We may also suffer losses on stock index futures contracts we enter into if stock indexes move unfavorably.

We will continue to expand our product and service offerings as permitted by the PRC regulatory authorities, transact with new customers not in our traditional customer base and enter into new markets. These activities expose us to new and potentially increasingly 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 customers;
- 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 customers;
- we may be unable to provide customers with adequate levels of service for our new products and services;
- we may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- our new products and services may not be accepted by our customers or meet our profitability expectations;
- we may be unable to obtain sufficient financing from internal and external sources to support our business expansion; and

- we may not be successful in enhancing our risk management capabilities and IT systems to identify and mitigate all the risks associated with these new products and services, new customers and new markets.

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

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 bank deposits (including our own deposits and customer deposits), margin financing and securities lending business and financial assets held under resale agreements. Interest income from these sources are directly linked to the prevailing market interest rates. During periods of declining interest rates, our interest income would generally decrease.

We also make interest payments on deposits we hold on behalf of our customers, 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 reduce 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.

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 is dependent to a large extent on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. These key personnel include members of our senior management, licensed sponsor representatives, experienced investment managers and industry analysts, IT specialists, sales staff and other 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 competing 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 materially and adversely affect our financial condition and results of operations. As a result, we may be unable to attract or retain these personnel to achieve our business objectives and the failure to do so could severely disrupt our business and prospects.

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 customers, which may have a material adverse effect on our business.

Future acquisitions and overseas expansions 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 which we may acquire;

- inability to successfully integrate the products, services and personnel of the businesses which 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 and customer relationships;

- customer overlap or loss of customers; 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 expenditure. 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.

In addition, our overseas acquisitions (including acquisitions in Hong Kong) may expose us to additional risks, including, among others:

- difficulties with managing overseas (including Hong Kong) operations, including complying with the various regulatory and legal requirements of different jurisdictions;
- different approval or license requirements;
- challenges in providing products, services and support in these overseas (including Hong Kong) markets;
- challenges in managing our sales channels and overseas (including Hong Kong) distribution network effectively;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;
- limited protection for intellectual property rights;
- inability to effectively enforce contractual or legal rights;
- changes in local government laws, regulations and policies; and
- local political and economic instability or civil unrest.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business overseas (including Hong Kong) will be impaired, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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 offices, residential and ancillary buildings. For some of the properties we occupy in the PRC, we or our landlords have not yet obtained land use rights certificates and/or building ownership certificates that allow us to use, transfer or mortgage the properties freely. As of September 30, 2011, among the 96 properties in the PRC and two properties in Hong Kong that we owned, (i) ten properties had the relevant building ownership certificates and administrative allocated land use rights certificates, with a gross floor area of approximately 7,321 square meters, representing 5.3% of the aggregate gross floor area of the properties we owned; (ii) 19 properties had building ownership certificates but not the relevant land use rights certificates, with a gross floor area of approximately 19,922 square meters, representing 14.5% of the aggregate gross floor area of the properties we owned; and (iii) four properties were without proper building ownership certificates and land use rights certificates, with a gross floor area of approximately 6,983 square meters, representing 5.1% of the aggregate gross floor area of the properties we owned. As of September 30, 2011, for our leased properties, our landlords had not obtained proper title certificates for 37 buildings with a gross floor area of approximately 37,790 square meters, accounting for approximately 14.6% of the total gross floor area of the buildings we occupy. Of these 37 buildings, our landlords of 12 buildings, accounting for approximately 3.4% of the total gross floor area of the buildings we occupy, had not agreed to indemnify us for any potential liabilities we would incur as a result of the title defects. 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 us relocating our 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 certificates in a timely manner and our legal right to use or occupy the relevant properties is challenged, we may incur additional relocation costs, have to pay government fines, 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 not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. During the Track Record Period, we did not experience any unauthorized trades or serious trade errors committed by our employees or other misconduct committed by our representatives, agents and customers that had a material adverse effect on our business, financial condition and results of operations. 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 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 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 (including Hong Kong). The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) requires 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 customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities. Please see "Regulatory Environment – Regulation on Anti-money Laundering" and "Regulatory Environment – Hong Kong Regulatory Overview – Anti-Money Laundering and 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 been recently 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 rely heavily on IT systems to process and record our transactions and offer online products and services.

Our operations rely heavily on the ability of our IT systems to accurately process a large number of transactions across numerous and diverse markets and our broad range of products in a timely manner. Our system for processing securities transactions is highly automated. 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 customers and execute trades on behalf of customers and for our own account, which could materially and adversely affect our competitiveness, financial condition and results of operations.

The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our headquarters and branches, are critical to our business and our ability to compete effectively. We have established back-up centers in Shanghai and Shenzhen 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 fail.

In addition, the securities industry is characterized by rapidly changing technology. Online securities trading platforms and other new channels such as mobile devices are becoming increasingly popular among our customers due to their convenience and user-friendliness. We rely heavily on technology, particularly the Internet, to provide high quality online services. However, our technology operations are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to or instability of our technology or external technology that allows our customers to use 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. We were not subject to any material operational failure of third parties during the Track Record Period. However, any future operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, service our customers and manage our exposure to various risks.

In addition, as our interconnectivity with our customers grows, our business also relies heavily on our customers' 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 customers' systems.

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 customers. We may be subject to arbitration claims and lawsuits 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 or regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects.

A failure to appropriately identify and address conflicts of interests 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. Please see "Business – Internal Control and Risk Management – 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 is 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 customers.

Various laws, regulations and rules require us to protect the personal data and confidential information of our customers. The relevant authorities may issue sanctions or orders against us if we fail to protect the personal information of our customers, and we may have to provide compensation for economic loss arising from our failure to protect the personal information of our customers in accordance with relevant laws and regulations. During the Track Record Period, we did not experience any material failure to protect confidential information of our customers. Incidents of mishandling personal information or failure to protect confidential information of our customers could create a negative public or customer perception of our operations or our brand name, which may materially and adversely affect our reputation and prospects.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC and government policies could affect our business and prospects.

A substantial majority of our assets are located in the PRC, and a substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our 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, among other things, 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 exercises significant control over the economic growth of the PRC through 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 to the end of 2009, which included announcing an RMB4.0 trillion economic stimulus package and reducing benchmark interest rates. In 2010 and early 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.

In recent years, the PRC has been one of the world's fastest growing economies as measured by GDP growth. However, the PRC may not be able to sustain historical growth rates. For example, the sub-prime mortgage crisis that broke out in the U.S. in 2008 affected global financial markets and caused significant turmoil in the global financial and credit markets. From the second half of 2008 to mid-2009, the world's largest economies, including the U.S., Europe and Japan fell into severe economic recessions, and economic growth in the PRC, India and other emerging economies also experienced a slowdown. The GDP growth in the PRC declined from 14.2% in 2007 to 9.2% in 2009. Future uncertainties in the PRC and global economy may 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.

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.

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. Awards that are made by the PRC arbitral authorities are recognized under the Arbitration Ordinance of Hong Kong and can be enforced in Hong Kong. Hong Kong arbitration awards 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 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 and 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. 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 to enforce its rules.

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 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 shareholding above the 5% threshold without obtaining prior approval from the CSRC, such shareholder's voting right is invalid to the extent that it exceeds 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 may be subject to PRC taxation.

Under the applicable PRC tax laws, the dividends we pay to non-PRC resident individual holders of H shares ("non-resident individual holders"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are both subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements. Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (Guo Shui Fa [1993] No.045) (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知(國稅發[1993]045號)) issued by the SAT, non-resident individual holders were temporarily exempted from PRC individual income tax for the dividends or bonuses paid by issuers of H shares. However, such circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) dated January 4, 2011.

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) dated June 28, 2011 issued by the SAT, dividends paid by H share companies in the PRC to a non-resident individual holder are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the shareholder's resident jurisdiction which range from 5% to 20%. The Circular states that the tax rate is generally applicable to dividend income as stipulated in relevant tax treaties or arrangements. Therefore, we can withhold 10% of the dividend without seeking prior consent from the PRC tax authorities. Any non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is lower than 10% shall be entitled to a refund of the excess tax withheld by us. However, such refund shall be subject to the approval of the PRC tax authority. For a non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is more than 10% but less than 20%, we will withhold the individual income tax at the applicable tax rate without seeking prior consent from the PRC tax authorities. For a non-resident individual holder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is 20% or where there is no relevant tax treaty or arrangement with the PRC, we can withhold the individual income tax at the rate of 20%.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sale or transfers of the H Shares. For additional information, please see "Appendix V – Taxation and Foreign Exchange" to this prospectus.

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 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, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, 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.

Future fluctuations in the value of the 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 and Macau to overseas customers. 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 the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar or U.S. dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the U.S. dollar 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. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From

1994 to July 20, 2005, the official exchange rate for the conversion of the 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 the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From July 21, 2005 to September 30, 2011, the value of the Renminbi appreciated by approximately 30.2% against the U.S. dollar. 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. 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 the Renminbi against the U.S. dollar. We cannot assure you that the Renminbi will not experience significant appreciation against the U.S. dollar in the future.

Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. As a result, any significant increase in the value of the Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations will further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than the Renminbi until we obtain the necessary approvals from relevant PRC regulatory authorities to convert the same into Renminbi.

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 and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or H1N1 influenza, may materially and adversely affect our business and results of operations. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong, where we operate our business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, adversely affect 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 and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may have a material and adverse effect on our business 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.

Our A Shares were listed on the Shanghai Stock Exchange on July 31, 2007. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, 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. With different trading characteristics, the H share and A share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H share and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

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 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 other 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.

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.

The market price of our H Shares could decline as a result of substantial future sales of our H Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares 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. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

In addition, according to stipulations made by the CSRC, our A Shares may be transferred to overseas investors and such transferred shares may be listed or traded on an overseas stock exchange, provided certain conditions are fulfilled and specific procedures are carried out. Please see "Share Capital – Share Capital – Transfer of Our Company's A Shares for Listing and Trading on the Hong Kong Stock Exchange as H Shares." Conversion of a substantial number of our A Shares into H Shares, or the perception that such conversion may occur, could materially and adversely affect the price of our H Shares. In addition, assuming the Over-allotment Option is not exercised, 122,940,000 A Shares will be converted into H Shares and transferred to 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.

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.

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$3.04 per H Share (assuming an Offer Price of HK$9.98 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.

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

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. 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 surplus reserve (determined under PRC GAAP) and discretionary surplus reserve (as approved by our shareholders' meeting). 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.

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts 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 and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled "Risk Factors," "Industry Overview" and "Business." Due to 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 or statistics.

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.

Following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. In addition, shares of our subsidiary, Haitong International Securities, are listed on the Hong Kong Stock Exchange, which means Haitong International Securities is subject to periodic reporting and other information disclosure requirements in Hong Kong. As a result, from time to time we publicly release information relating to (i) us on the Shanghai Stock Exchange or other media outlets designated by the Shanghai Stock Exchange; and (ii) Haitong International Securities on the Hong Kong Stock Exchange or other media outlets designated by the Hong Kong Stock Exchange. However, the information announced by us in connection with our A Shares or by Haitong International Securities in connection with its shares is based on regulatory requirements of the securities authorities and market practices in the PRC and Hong Kong, as applicable, which are different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. 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, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

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.

Prior to the publication of this prospectus, there had been 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.