



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE DIRECTORS OF HAITONG SECURITIES CO., LTD.**

Introduction

We have reviewed the interim financial information of Haitong Securities Co., Ltd. (海通证券股份有限公司) (the “Company”) and its subsidiaries set out on pages II-3 to II-24, which comprises the condensed consolidated statement of financial position and the Company’s condensed statement of financial position as of 30 September 2011 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the nine months ended 30 September 2011, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 “Engagements to Review Financial Statements” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

5 December 2011

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

		Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
Commission and fee income	3	1,599,744	1,771,279	5,289,361	5,651,777
Interest income	4	639,081	413,509	1,844,565	1,160,397
Net Investment (losses) gains	5	(207,619)	515,029	789,566	804,795
Total revenue		2,031,206	2,699,817	7,923,492	7,616,969
Other income and gains	6	51,844	14,628	112,640	70,315
Total revenue and other income		2,083,050	2,714,445	8,036,132	7,687,284
Depreciation and amortisation		(74,893)	(70,028)	(222,782)	(216,414)
Staff costs		(486,655)	(602,924)	(1,591,925)	(1,542,568)
Commission to account executives		(83,920)	(69,569)	(235,114)	(176,693)
Brokerage transaction fees and other services expenses		(165,341)	(214,976)	(557,703)	(548,994)
Interest expenses		(129,114)	(67,357)	(313,140)	(207,577)
Other expenses		(493,048)	(434,512)	(1,436,317)	(1,304,141)
Total expenses		(1,432,971)	(1,459,366)	(4,356,981)	(3,996,387)
Share of results of associates		16,623	18,443	50,671	58,071
Profit before income tax		666,702	1,273,522	3,729,822	3,748,968
Income tax expense		(118,246)	(310,438)	(842,240)	(860,549)
Profit for the period		548,456	963,084	2,887,582	2,888,419
Attributable to:					
Owners of the Company		493,815	911,648	2,728,596	2,753,624
Non-controlling interests		54,641	51,436	158,986	134,795
		548,456	963,084	2,887,582	2,888,419
Earnings per share (Expressed in RMB per share)					
– Basic	7	0.06	0.11	0.33	0.33
– Diluted	7	0.06	0.11	0.33	0.33

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	<u>548,456</u>	<u>963,084</u>	<u>2,887,582</u>	<u>2,888,419</u>
Other comprehensive (expense) income:				
Available-for-sale investments				
Net fair value changes during the period	(998,352)	92,707	(761,112)	(737,865)
Reclassification adjustment to profit or loss on disposal/impairment	6,651	(137,393)	(506,845)	(378,188)
Income tax relating to components of other comprehensive income	230,638	21,212	273,532	281,612
Share of revaluation (deficit) surplus of associates	<u>(2,587)</u>	<u>3,043</u>	<u>(5,794)</u>	<u>530</u>
	(763,650)	(20,431)	(1,000,219)	(833,911)
Exchange differences arising on translation	<u>(48,261)</u>	<u>(31,179)</u>	<u>(143,331)</u>	<u>(53,579)</u>
Other comprehensive expense for the period (net of tax)	<u>(811,911)</u>	<u>(51,610)</u>	<u>(1,143,550)</u>	<u>(887,490)</u>
Total comprehensive (expense) income for the period	<u>(263,455)</u>	<u>911,474</u>	<u>1,744,032</u>	<u>2,000,929</u>
Attributable to:				
Owners of the Company	(295,866)	854,445	1,628,053	1,868,522
Non-controlling interests	<u>32,411</u>	<u>57,029</u>	<u>115,979</u>	<u>132,407</u>
	<u>(263,455)</u>	<u>911,474</u>	<u>1,744,032</u>	<u>2,000,929</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

		As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property and equipment		1,154,460	1,201,183
Investment properties		98,006	100,644
Goodwill		645,962	673,860
Other intangible assets		301,900	289,729
Investments in associates		906,163	543,281
Available-for-sale investments	8	2,441,407	1,877,469
Deferred tax assets		460,601	61,592
Restricted bank deposits	12	314,519	260,801
Other assets		197,077	108,017
		<u>6,520,095</u>	<u>5,116,576</u>
Total non-current assets			
Current assets			
Advances to customers		6,623,220	5,814,456
Accounts receivable		1,193,432	980,221
Other receivables and prepayments		865,423	447,497
Available-for-sale investments	8	6,981,493	5,060,788
Financial assets held under resale agreements	9	965,400	2,120,000
Financial assets at fair value through profit or loss	10	19,536,297	15,018,084
Deposits with exchanges		2,288,006	2,373,425
Clearing settlement funds	11	4,000,318	20,424,736
Bank balances and cash	12	52,076,871	58,057,315
		<u>94,530,460</u>	<u>110,296,522</u>
Total current assets			
Total assets		<u>101,050,555</u>	<u>115,413,098</u>
Current liabilities			
Borrowings	13	2,720,667	2,922,320
Deposit taken from other financial institution		400,000	–
Accounts payable to brokerage clients	14	38,720,516	63,682,354
Other payables and accruals		2,143,037	2,523,395
Provisions		4,760	6,853
Tax liabilities		396,227	465,293
Financial assets sold under repurchase agreements	15	10,561,381	–
		<u>54,946,588</u>	<u>69,600,215</u>
Total current liabilities			
Net current assets		<u>39,583,872</u>	<u>40,696,307</u>
Total assets less current liabilities		<u>46,103,967</u>	<u>45,812,883</u>

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Equity		
Share capital	8,227,821	8,227,821
Capital reserve	22,492,407	22,551,933
Investment revaluation reserve	(428,868)	528,344
Translation reserve	(232,364)	(89,033)
General reserves	5,014,289	5,014,289
Retained profits	9,728,432	8,234,009
	<hr/>	<hr/>
Equity attributable to owners of the Company	44,801,717	44,467,363
Non-controlling interests	1,213,125	1,149,384
	<hr/>	<hr/>
Total equity	46,014,842	45,616,747
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	89,125	196,136
	<hr/>	<hr/>
Total equity and non-current liabilities	46,103,967	45,812,883
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**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

		As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property and equipment		1,080,677	1,136,586
Investment properties		94,304	96,800
Other intangible assets		151,649	154,492
Investments in subsidiaries		8,054,730	7,054,730
Investments in associates		92,907	92,907
Available-for-sale investments	8	352,412	319,995
Deferred tax assets		408,323	42,333
Other assets		72,040	69,916
		<hr/>	<hr/>
Total non-current assets		10,307,042	8,967,759
		<hr/>	<hr/>
Current assets			
Advances to customers		3,614,347	2,091,136
Other receivables and prepayments		654,464	295,705
Amount due from a subsidiary		713,235	637,300
Available-for-sale investments	8	6,856,759	4,913,712
Financial assets held under resale agreements	9	–	2,120,000
Financial assets at fair value through profit or loss	10	19,280,409	14,913,359
Deposits with exchanges		1,107,546	790,909
Clearing settlement funds	11	2,701,048	19,652,583
Bank balances and cash	12	42,301,934	46,185,659
		<hr/>	<hr/>
Total current assets		77,229,742	91,600,363
		<hr/>	<hr/>
Total assets		87,536,784	100,568,122
		<hr/>	<hr/>
Current liabilities			
Accounts payable to brokerage clients	14	30,178,668	54,211,820
Deposit taken from other financial institution		400,000	–
Other payables and accruals		1,694,405	2,102,123
Amount due to a subsidiary		810	20,000
Provisions		4,760	6,853
Tax liabilities		277,220	378,167
Financial assets sold under repurchase agreements	15	10,561,381	–
		<hr/>	<hr/>
Total current liabilities		43,117,244	56,718,963
		<hr/>	<hr/>
Net current assets		34,112,498	34,881,400
		<hr/>	<hr/>
Total assets less current liabilities		44,419,540	43,849,159
		<hr/> <hr/>	<hr/> <hr/>

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Equity		
Share capital	8,227,821	8,227,821
Capital reserve	22,635,141	22,635,141
Investment revaluation reserve	(407,148)	386,646
General reserves	5,014,289	5,014,289
Retained profits	8,903,442	7,438,661
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Total equity	44,373,545	43,702,558
	<hr/>	<hr/>
Non-current liabilities		
Deferred tax liabilities	45,995	146,601
	<hr/>	<hr/>
Total equity and non-current liabilities	44,419,540	43,849,159
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to owners of the Company						Non-controlling interests			
	Share capital	Capital reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Total	Share of net assets of subsidiaries	Share option reserve of a subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited										
At 1 January 2011	8,227,821	22,551,933	528,344	(89,033)	5,014,289	8,234,009	44,467,363	1,149,384	–	1,149,384
Profit for the period	–	–	–	–	–	2,728,596	2,728,596	158,986	–	158,986
Other comprehensive expense for the period	–	–	(957,212)	(143,331)	–	–	(1,100,543)	(43,007)	–	(43,007)
Total comprehensive (expense) income for the period	–	–	(957,212)	(143,331)	–	2,728,596	1,628,053	115,979	–	115,979
Changes of equity interests in a subsidiary (Note a)	–	(60,275)	–	–	–	–	(60,275)	41,301	–	41,301
Capital injection by a non-controlling shareholder of a subsidiary	–	749	–	–	–	–	749	25,006	–	25,006
Cash dividend recognised as distribution (note 17)	–	–	–	–	–	(1,234,173)	(1,234,173)	(123,947)	–	(123,947)
Others	–	–	–	–	–	–	–	–	5,402	5,402
At 30 September 2011	8,227,821	22,492,407	(428,868)	(232,364)	5,014,289	9,728,432	44,801,717	1,207,723	5,402	1,213,125
Unaudited										
At 1 January 2010	8,227,821	22,576,527	1,413,394	(11,380)	3,989,218	7,218,380	43,413,960	1,104,635	–	1,104,635
Profit for the period	–	–	–	–	–	2,753,624	2,753,624	134,795	–	134,795
Other comprehensive expense for the period	–	–	(831,523)	(53,579)	–	–	(885,102)	(2,388)	–	(2,388)
Total comprehensive (expense) income for the period	–	–	(831,523)	(53,579)	–	2,753,624	1,868,522	132,407	–	132,407
Changes of equity interests in subsidiaries	–	(40,691)	–	–	–	–	(40,691)	(56,919)	–	(56,919)
Issuance of shares by a subsidiary	–	6,847	–	–	–	–	6,847	6,465	–	6,465
Cash dividend recognised as distribution (note 17)	–	–	–	–	–	(1,645,564)	(1,645,564)	(77,470)	–	(77,470)
Others	–	1,665	–	–	–	–	1,665	1,096	–	1,096
At 30 September 2010	8,227,821	22,544,348	581,871	(64,959)	3,989,218	8,326,440	43,604,739	1,110,214	–	1,110,214

Note a: The changes of equity interests in a subsidiary includes the effect arising from the subscription of a total of 200,000,000 new shares issued by Haitong International Securities Group Limited, our Hong Kong listed subsidiary, by way of capitalisation of loan of HKD850,000,000 in the third quarter of 2011.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011**

	Nine months ended 30 September	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	3,729,822	3,748,968
Adjustments for		
Interest expenses	313,140	207,577
Share-based payment expenses	5,402	2,761
Share of results of associates	(50,671)	(58,071)
Depreciation and amortisation	222,782	216,414
Reversal of impairment loss in respect of other receivables	(28,227)	(3,037)
Loss (gain) on disposal of property and equipment and other intangible assets	185	(427)
Gain on disposal of an associate	–	(4,121)
Foreign exchange (gains) losses, net	(62,331)	1,786
Net gains arising from available-for-sale investments	(605,082)	(462,464)
Impairment loss in respect of available-for-sale investments	70,787	–
Operating cash flows before movements in working capital	3,595,807	3,649,386
(Increase)/decrease in deposits and reserve funds and deposits with exchanges	95,573	674,307
(Increase)/decrease in advances to customers	(808,764)	(1,858,648)
(Increase)/decrease in accounts and other receivables and prepayment	(602,910)	(8,215,003)
(Increase)/decrease in financial assets held under resale agreements	1,154,600	(1,779,000)
(Increase)/decrease in financial assets at fair value through profit or loss	(4,518,213)	2,045,966
(Increase)/decrease in restricted fixed bank deposits	(53,718)	(54,146)
(Increase)/decrease in cash held on behalf of clients	25,911,315	14,382,010
Increase/(decrease) in accounts payable to brokerage clients and other payables and accruals	(25,376,931)	(14,998,380)
Increase/(decrease) in financial assets sold under repurchase agreements	10,561,381	(4,327,900)
Increase/(decrease) in deposit taken from other financial institution	400,000	–
Increase/(decrease) in provisions	(2,093)	(1,962)
CASH FROM (USED IN) OPERATIONS	10,356,047	(10,483,370)
Income taxes paid, net	(1,128,176)	(935,834)
Interest paid	(291,338)	(190,480)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	8,936,533	(11,609,684)

	Nine months ended 30 September	
	2011	2010
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Dividends received from associates and other investments	51,995	42,496
Purchases of property and equipment and other intangible assets	(199,680)	(255,426)
Proceeds on disposal of property and equipment	13,837	–
Capital injection to associates	(370,000)	–
Proceeds on disposal of an associate	–	13,806
Increase in available-for-sale investments	(3,233,673)	(656,931)
Payment for other investment activities	(99,214)	–
NET CASH USED IN INVESTING ACTIVITIES	(3,836,735)	(856,055)
FINANCING ACTIVITIES		
Dividend paid	(1,329,080)	(1,736,589)
Purchase of subsidiaries' shares	(18,450)	(97,610)
Proceeds from issue of subsidiaries' shares	25,751	8,283
Borrowings (repaid) raised net of interest paid	(226,838)	8,749,553
Payment for other financing activities	(296,651)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(1,845,268)	6,923,637
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,254,530	(5,542,102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15,777,118	28,931,881
Effect of foreign exchange rate changes	(53,872)	(31,301)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16 18,977,776	23,358,478

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011****1. GENERAL INFORMATION OF THE GROUP**

The Company was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and had changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro- Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its name changed to "Haitong Securities".

The address of the Company's registered office is 98 Central Huaihai Road, Shanghai, the PRC. The principal place of business of the Company is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the PRC.

The Company and its subsidiaries are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management and provision of investment advisory and consultancy services.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The condensed consolidated financial statements for the nine months ended 30 September 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and prepared on the historical cost basis, except for financial instruments which are measured at fair values.

These condensed consolidated financial statements do not include all the information and disclosures required in a complete set of financial statements under IAS 1 "Presentation of Financial Statements".

The International Accounting Standards Board has issued a number of new and revised Standards, Amendments and Interpretation ("new or revised IFRSs"). For those new and revised IFRSs which are effective for accounting periods beginning on 1 January 2011, the adoption has no significant impact on the Group's results and financial position.

There are new and revised IFRSs that have been issued but are not yet effective, details of which and the assessment of their impacts have been disclosed in note 2 to the section G of the accountants' report on the financial information regarding the Group for each of the three years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 (the "Historical Financial Information") as set out in Appendix I.

Significant accounting policies

The accounting policies adopted in the preparation of these condensed financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 underlying the preparation of the Historical Financial Information as mentioned above.

The Group has not early adopted any new and revised IFRSs that was issued but not effective.

3. COMMISSION AND FEE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Commission on securities dealing and broking and handling fee income	917,082	1,312,142	3,265,520	4,014,561
Commission on futures and options contracts dealing and broking and handling fee income	91,255	115,247	272,360	274,355
Financial advisory and consultancy fee income	50,578	54,649	203,882	199,253
Underwriting and sponsors fees	233,127	108,229	795,296	659,890
Asset management fee income	304,784	174,539	742,162	486,758
Commission on bullion contracts dealing	2,244	3,971	7,157	3,971
Others	674	2,502	2,984	12,989
	<u>1,599,744</u>	<u>1,771,279</u>	<u>5,289,361</u>	<u>5,651,777</u>

4. INTEREST INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	470,138	350,106	1,407,863	1,024,298
Interest income from advances to customers	137,150	51,899	366,338	124,529
Interest income from financial assets held under resale agreements	31,120	11,487	66,998	11,522
Other interest income	673	17	3,366	48
	<u>639,081</u>	<u>413,509</u>	<u>1,844,565</u>	<u>1,160,397</u>

5. NET INVESTMENT (LOSSES) GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net gains arising from available-for-sale investments	35,792	141,817	605,082	462,464
Net gains (losses) arising from financial assets/financial liabilities held for trading and derivatives	168,568	(32,820)	885,718	187,544
Fair value change of financial instruments at fair value through profit or loss				
– financial assets/financial liabilities held for trading	(685,978)	406,032	(889,660)	154,787
– derivatives	273,999	–	188,426	–
	<u>(207,619)</u>	<u>515,029</u>	<u>789,566</u>	<u>804,795</u>

6. OTHER INCOME AND GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Non-recurring government grants (Note)	15,468	7,671	18,800	49,415
Rental income from investment properties	2,658	3,767	10,000	10,891
Others	33,718	3,190	83,840	10,009
	<u>51,844</u>	<u>14,628</u>	<u>112,640</u>	<u>70,315</u>

Note: The non-recurring government grants were received unconditionally by the Company and its subsidiaries from their local government where they reside. The main purpose is to subsidise the operation of these entities.

7. EARNINGS PER SHARE

Basic earnings per share for the respective period is calculated by dividing the profit for the period attributable to owners of the Company over the number of ordinary shares of the Company in issue of 8,227,821,000 during the respective period.

Diluted earnings per share has not assumed the dilutive effect of the share options granted by a subsidiary of the Company as the effect is insignificant.

8. AVAILABLE-FOR-SALE INVESTMENTS

GROUP

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Debt securities	211,003	278,522
Equity securities	8,612,741	5,735,718
Funds	599,156	924,017
	<u>9,422,900</u>	<u>6,938,257</u>
Analysed as:		
Listed in Hong Kong	53,097	16,501
Listed outside Hong Kong (primarily in the PRC)	6,909,029	4,912,892
Unlisted	2,460,774	2,008,864
	<u>9,422,900</u>	<u>6,938,257</u>
Analysed as:		
Listed equity securities	6,905,734	4,845,408
Unlisted equity securities	1,707,007	890,310
	<u>8,612,741</u>	<u>5,735,718</u>

GROUP

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Analysed for reporting purpose as:		
Current assets	6,981,493	5,060,788
Non-current assets	2,441,407	1,877,469
	<u>9,422,900</u>	<u>6,938,257</u>

COMPANY

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Debt securities	202,953	270,472
Equity securities	6,751,916	4,741,075
Funds	254,302	222,160
	<u>7,209,171</u>	<u>5,233,707</u>
Analysed as:		
Listed outside Hong Kong (primarily in the PRC)	6,710,198	4,726,950
Unlisted	498,973	506,757
	<u>7,209,171</u>	<u>5,233,707</u>
Analysed as:		
Listed equity securities	6,653,805	4,642,964
Unlisted equity securities	98,111	98,111
	<u>6,751,916</u>	<u>4,741,075</u>
Analysed for reporting purpose as:		
Current assets	6,856,759	4,913,712
Non-current assets	352,412	319,995
	<u>7,209,171</u>	<u>5,233,707</u>

The equity interest in unlisted securities held by the Group and the Company are issued by private companies (including companies in (among others) banking, manufacturing, property development and utilities sectors). As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, the value of the securities is measured at cost less the impairment at the reporting date.

Included in the Group's listed equity securities of RMB1,270,717,000 and RMB2,073,694,000 as of 31 December 2010 and 30 September 2011, respectively, are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

Included in the Company's listed equity securities of RMB1,096,002,000 and RMB1,875,006,000 as of 31 December 2010 and 30 September 2011, respectively, are restricted shares listed in the PRC with a legally enforceable restriction on these securities that prevents the Company to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.

In the opinion of the directors of the Company, non-current available-for sale investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods.

The fair value of the Group and the Company's investments in unlisted funds, which mainly invest in publicly traded equities listed in Hong Kong and the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group and the Company's investments in equity securities without restriction, exchange-traded funds and debt securities are determined with reference to their quoted prices as at reporting date.

As of 31 December 2010 and 30 September 2011, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with fair value of RMB275,000 and RMB92,846,000 to external clients, respectively, which did not result in derecognition of the financial assets. RMB109,915,000 and RMB470,768,000 cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients (note 14).

As of 30 September 2011, due to the significant decline in the fair value of an available-for-sale investment below cost, the Group has recognised impairment loss of RMB70,787,000.

9. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

GROUP

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Analysis as collateral type:		
Bonds	965,400	2,120,000
Analysis by market:		
Shanghai Stock Exchange	305,400	–
Inter-bank market	660,000	2,120,000
	965,400	2,120,000

COMPANY

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Analysis as collateral type:		
Bonds	–	2,120,000
Analysis by market:		
Inter-bank market	–	2,120,000

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Held for trading		
Debt securities	15,698,304	8,978,165
Equity securities	2,175,244	3,248,364
Funds	1,478,769	2,791,555
Derivatives – Index futures contracts	183,980	–
	<u>19,536,297</u>	<u>15,018,084</u>
Analysed as:		
Listed in Hong Kong	61,497	75,891
Listed outside Hong Kong (primarily in the PRC)	9,672,759	5,151,119
Unlisted	9,802,041	9,791,074
	<u>19,536,297</u>	<u>15,018,084</u>

COMPANY

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Held for trading:		
Debt securities	15,506,024	8,951,939
Equity securities	2,113,748	3,172,474
Funds	1,476,657	2,788,946
Derivatives – Index futures contracts	183,980	–
	<u>19,280,409</u>	<u>14,913,359</u>
Analysed as:		
Listed outside Hong Kong (primarily in the PRC)	9,672,759	5,151,119
Unlisted	9,607,650	9,762,240
	<u>19,280,409</u>	<u>14,913,359</u>

The investments held within above unlisted fund investments, which were classified as held for trading financial assets, mainly consist of publicly traded equities listed mainly in Hong Kong and the PRC. The fair value of the Group and the Company's investments in funds are valued based on net asset values of funds calculated by respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group and the Company's listed equity securities, exchange-traded funds, unlisted debt securities and index futures contracts are determined by reference to their quoted prices as at reporting date.

11. CLEARING SETTLEMENT FUNDS

GROUP

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House	1,501,101	442,829
Clients	2,499,217	19,981,907
	<u>4,000,318</u>	<u>20,424,736</u>

COMPANY

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Clearing settlement funds held with clearing houses for:		
House	787,865	442,829
Clients	1,913,183	19,209,754
	<u>2,701,048</u>	<u>19,652,583</u>

These clearing settlement funds are held by the clearing houses for the Group and the Company and can be withdrawn freely by the Group and the Company. These balances carry interest at prevailing market interest rates. As clients had placed huge amount of funds in clearing house for new shares subscriptions as at 31 December 2010, the significant decrease in clearing settlement funds as at 30 September 2011 was attributable to releasing of clients' funds to their accounts as required after the completion of new shares subscriptions.

12. BANK BALANCES AND CASH

GROUP

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
House accounts (<i>note i</i>)	19,267,082	16,765,183
Cash held on behalf of clients (<i>note ii</i>)	33,124,308	41,552,933
	<u>52,391,390</u>	<u>58,318,116</u>
Total	52,391,390	58,318,116
Less: non-current restricted bank deposits (<i>note iii</i>)	(314,519)	(260,801)
	<u>52,076,871</u>	<u>58,057,315</u>

COMPANY

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
House accounts	14,948,701	11,832,759
Cash held on behalf of clients (<i>note ii</i>)	27,353,233	34,352,900
	<hr/>	<hr/>
Total	42,301,934	46,185,659
	<hr/>	<hr/>

Bank balances and cash comprise cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) Included in the Group's house accounts as of 31 December 2010 and 30 September 2011 are pledged bank deposits of approximately RMB1,158,272,000 and RMB1,460,685,000, respectively, used as a security of borrowings (*note 13*), carry interest ranging from 0.52% to 3.90% per annum and have a maturity of seven days to three months.
- (ii) The Group and the Company maintain bank accounts with banks to hold clients' deposits arising from normal business transactions. The Group and the Company have recognised the corresponding amount in accounts payable to brokerage clients (*note 14*).
- (iii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose.

13. BORROWINGS

GROUP

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Secured short-term borrowings:		
Bank overdrafts (<i>notes (i), (ii), (vi)</i>)	–	11,821
Bank loans (<i>notes (ii), (iii), (iv), (vi)</i>)	1,806,904	2,060,101
	<hr/>	<hr/>
Unsecured short-term borrowings:		
Bank overdrafts (<i>notes (i), (vi)</i>)	15,203	–
Bank loans (<i>notes (iv), (vi)</i>)	898,560	765,305
Other loans (<i>notes (iv), (v)</i>)	–	85,093
	<hr/>	<hr/>
	2,720,667	2,922,320
	<hr/>	<hr/>

Notes:

- (i) These overdrafts are repayable on demand.
- (ii) Bank overdrafts and bank loans, borrowed by the subsidiaries in Hong Kong, of approximately RMB1,220,992,000 and RMB583,819,000 as of 31 December 2010 and 30 September 2011, respectively, are secured by the listed shares pledged to the Group as a security for advances to customers (with customers' consent) of RMB2,767,224,000 and RMB1,900,689,000 as of 31 December 2010 and 30 September 2011, respectively.

- (iii) As of 31 December 2010 and 30 September 2011, secured bank loans of RMB850,930,000 and RMB1,223,085,000, respectively, are secured by the Group's short-term time deposits placed at financial institutions.
- (iv) Bank loans and other loans are repayable on demand or within 1 year.
- (v) Other loans of RMB85,093,000 as of 31 December 2010 were obtained from an independent third party and were interest bearing at a fixed rate of 4% per annum. The amount has been fully repaid during the nine months ended 30 September 2011.
- (vi) All the Group's bank borrowings bear interest (which are also equal to the effective interest rate) at Hong Kong Interbank Offered Rate plus 0.50% to 1.24% per annum and 0.50% to 0.61% per annum as at 31 December 2010 and 30 September 2011, respectively.

14. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group and the Company.

As of 31 December 2010 and 30 September 2011, included in the Group and the Company's accounts payable to brokerage clients were approximately RMB109,915,000 and RMB470,768,000, respectively, cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.

15. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

GROUP AND COMPANY

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Analysis as collateral type:		
Bonds	10,561,381	—
Analysis by market:		
Shanghai Stock Exchange	5,711,300	—
Inter-bank market	4,850,081	—
	10,561,381	—

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 30 September 2010 <i>RMB'000</i> (Unaudited)
Bank balances and cash – house	19,267,082	23,602,331
Less: Pledged bank deposits and fixed deposits	(1,460,685)	(346,025)
Restricted bank deposits	(314,519)	(238,989)
Clearing settlement funds – house	1,501,101	341,487
Bank overdrafts	(15,203)	(326)
	<u>18,977,776</u>	<u>23,358,478</u>

17. DIVIDENDS

	Nine months ended 30 September 2011 <i>RMB'000</i> (Unaudited) (note a)	2010 <i>RMB'000</i> (Unaudited) (note b)
Dividends recognised as distribution	<u>1,234,173</u>	<u>1,645,564</u>

Notes:

- (a) Pursuant to the resolution of annual general meeting 2010, the Company declared 2010 final dividend of RMB0.15 per share, satisfied by cash.
- (b) Pursuant to the resolution of annual general meeting 2009, the Company declared 2009 final dividend of RMB0.20 per share, satisfied by cash.

18. CAPITAL COMMITMENT**GROUP**

	As at 30 September 2011 <i>RMB'000</i> (Unaudited)	As at 31 December 2010 <i>RMB'000</i> (Audited)
Capital expenditure in respect of acquisition of property and equipment:		
Contracted but not provided for	<u>23,938</u>	<u>9,159</u>

19. SEGMENT REPORTING

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Operating and Reportable Segment

For the nine months ended 30 September 2011 (Unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
– External	3,284,954	836,454	499,648	852,596	31,591	1,749,823	668,426	7,923,492	–	7,923,492
– Inter-segment	506,727	275	–	1,596	59	269,277	–	777,934	(777,934)	–
Other income and gains	10,941	(1,341)	–	–	–	31,475	71,565	112,640	–	112,640
Segment revenue	3,802,622	835,388	499,648	854,192	31,650	2,050,575	739,991	8,814,066	(777,934)	8,036,132
Segment expenses	(2,103,733)	(468,512)	(147,444)	(236,248)	(8,023)	(1,317,851)	(584,065)	(4,865,876)	508,895	(4,356,981)
Segment result	1,698,889	366,876	352,204	617,944	23,627	732,724	155,926	3,948,190	(269,039)	3,679,151
Share of results of associates	–	18	–	–	(6,629)	57,282	–	50,671	–	50,671
Profit before income tax	1,698,889	366,894	352,204	617,944	16,998	790,006	155,926	3,998,861	(269,039)	3,729,822

For the nine months ended 30 September 2010 (Unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
– External	3,782,936	591,459	680,332	714,498	35,975	1,233,595	578,174	7,616,969	–	7,616,969
– Inter-segment	509,315	332	–	1,151	–	54,838	(33)	565,603	(565,603)	–
Other income and gains	17,638	247	–	–	–	44,382	8,048	70,315	–	70,315
Segment revenue	4,309,889	592,038	680,332	715,649	35,975	1,332,815	586,189	8,252,887	(565,603)	7,687,284
Segment expenses	(2,217,306)	(347,816)	(61,667)	(236,551)	(11,504)	(1,171,322)	(460,986)	(4,507,152)	510,765	(3,996,387)
Segment result	2,092,583	244,222	618,665	479,098	24,471	161,493	125,203	3,745,735	(54,838)	3,690,897
Share of results of associates	–	–	–	–	–	58,071	–	58,071	–	58,071
Profit before income tax	2,092,583	244,222	618,665	479,098	24,471	219,564	125,203	3,803,806	(54,838)	3,748,968

APPENDIX II

UNAUDITED INTERIM FINANCIAL REPORT

For the three months ended 30 September 2011 (Unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
– External	994,954	323,785	(303,070)	230,643	8,165	596,426	180,303	2,031,206	–	2,031,206
– Inter-segment	171,470	97	–	(1,065)	59	238	–	170,799	(170,799)	–
Other income and gains	3,715	(3,504)	–	–	–	16,829	34,804	51,844	–	51,844
Segment revenue	1,170,139	320,378	(303,070)	229,578	8,224	613,493	215,107	2,253,849	(170,799)	2,083,050
Segment expenses	(701,206)	(170,833)	(47,990)	(75,761)	(3,721)	(374,421)	(229,838)	(1,603,770)	170,799	(1,432,971)
Segment result	468,933	149,545	(351,060)	153,817	4,503	239,072	(14,731)	650,079	–	650,079
Share of results of associates	–	21	–	–	(1,933)	18,535	–	16,623	–	16,623
Profit before income tax	468,933	149,566	(351,060)	153,817	2,570	257,607	(14,731)	666,702	–	666,702

For the three months ended 30 September 2010 (Unaudited)

	Securities and futures brokerage RMB'000	Asset management RMB'000	Proprietary trading RMB'000	Investment banking RMB'000	Direct investment RMB'000	Headquarters and others RMB'000	Overseas operations RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated total RMB'000
Segment revenue and results										
Revenue										
– External	1,312,028	215,037	489,230	101,408	19,682	342,000	220,432	2,699,817	–	2,699,817
– Inter-segment	165,825	105	–	224	–	–	(33)	166,121	(166,121)	–
Other income and gains	2,059	247	–	–	–	8,764	3,558	14,628	–	14,628
Segment revenue	1,479,912	215,389	489,230	101,632	19,682	350,764	223,957	2,880,566	(166,121)	2,714,445
Segment expenses	(766,276)	(121,694)	(12,549)	(54,901)	(5,716)	(496,746)	(167,605)	(1,625,487)	166,121	(1,459,366)
Segment result	713,636	93,695	476,681	46,731	13,966	(145,982)	56,352	1,255,079	–	1,255,079
Share of results of associates	–	–	–	–	–	18,443	–	18,443	–	18,443
Profit before income tax	713,636	93,695	476,681	46,731	13,966	(127,539)	56,352	1,273,522	–	1,273,522

The following is an analysis of the Group's assets by reportable and operating segments:

	As at 30 September 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Securities and futures brokerage	47,548,203	72,680,321
Asset management	1,269,469	1,112,302
Proprietary trading	29,166,276	19,686,020
Investment banking	792,161	1,494,945
Direct investment	3,497,294	2,981,507
Headquarters and others	87,855,831	110,964,233
Overseas operations	11,416,800	12,508,847
	<hr/>	<hr/>
Total segment assets	181,546,034	221,428,175
Elimination	(81,862,243)	(106,619,950)
Investments in associates	906,163	543,281
Deferred tax assets	460,601	61,592
	<hr/>	<hr/>
Group's total assets	<u>101,050,555</u>	<u>115,413,098</u>

20. LITIGATIONS

In previous year, the branch of the Company has involved in a few interrelated legal proceedings arising from one case that related to stock trading dispute. Pursuant to the final judgment of the Higher People's Court of Hubei made in 2009, the relevant case had been closed, and the Company was ordered to pay a compensation of approximately RMB26.3 million (excluding interests ordered in the final judgment). The Company had performed the obligated compensation, and provision had been reflected in the financial statements at the period which it occurred. In November 2011, the Company has received a summons from the Supreme People's Court, stating that the PRC Supreme People's Procuratorate had filed a formal protest for the above case to the PRC Supreme People's Court, and the PRC Supreme People's Court had decided to start the retrial process. Pursuant to the written protest, the maximum possible claim faced by the Company in this case will be an additional amount of RMB26.8 million (excluding the interest ordered to be incurred by the Company pursuant to the judgment of the retrial). Based on the advice of the legal counsel, the Company considered that the final judgment of Higher People's Court of Hubei conformed to the principles of fairness and shall be maintained. Based on this expectation, no outflow of economic benefits should be made to settle the obligation and accordingly, no provision for any potential liabilities has been made in this respect.