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 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 note that we are a PRC company governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning China and certain related matters discussed below, please see "Supervision and Regulation," "Appendix V — 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

Our businesses are highly dependent on the general economic and market conditions in China and other jurisdictions in which we operate. Our results of operations could be materially adversely affected by downturns in China's capital markets, which in turn may be affected by volatility and downturns in the global capital markets.

Our businesses, including our investment banking, sales, trading and brokerage, asset management and investment businesses, are highly dependent on economic and market conditions in China and other jurisdictions in which we operate, such as Hong Kong. As China's capital markets are still in its early stages of development, market conditions may change suddenly and dramatically, which could materially adversely affect our results of operation and financial condition. In addition, global market conditions may adversely affect market conditions in China. Recent volatility in the capital markets in the United States and other jurisdictions has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Unfavourable financial or economic conditions, such as those caused by the recent global financial and economic crisis, including the current European debt crisis, have adversely affected investor confidence, resulting in significant declines in the number and size of transactions in which we provided underwriting and financial advisory services. A significant portion of our investment banking revenue is derived from our participation in high-value transactions and any decline in the number of these transactions because of unfavourable financial or economic conditions would adversely affect our investment banking business.

Market volatility and adverse financial or economic conditions may adversely affect our sales, trading and brokerage businesses. These conditions tend to reduce the value of our clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for us to maintain existing clients and attract new clients. These conditions in turn may adversely affect our brokerage revenue and may increase the risk of default in the margin loan financing we provide to our clients through our prime services business. Our proprietary trading business may also be adversely affected by the reduction in the value of our trading and investment positions, which in turn would adversely affect our results of operation and financial condition and access to liquidity.

Under adverse financial or economic conditions, the value of our asset management portfolio may be adversely affected and therefore reduce the fees we earn from our asset management business, and we may be faced with an influx of client redemptions in our asset management portfolio, which in turn could also adversely affect the fee revenue from our asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less fee revenue for us.

During periods of adverse financial or economic conditions, our private equity business may be affected by reduced opportunities to exit and realise value from our investments. We may also not be able to find suitable investments for our funds to effectively deploy capital, which could adversely affect our ability to raise new funds.

Our businesses are highly regulated in China and other jurisdictions in which we operate our businesses.

As a participant in the financial services industry, we are subject to extensive regulation and face the risk of significant intervention by regulatory authorities in China and other jurisdictions in which we operate our businesses. In particular, we could be subject to administrative or regulatory penalties and limitations or conditions on our business activities in China due to certain non-compliance in the ordinary course of business, including but not limited to:

- warnings;
- fines;
- forfeiture of illegal proceeds;
- revocation of business permits;
- demanded closure of business;
- limitation on business activities;
- suspension of partial business activities;
- suspension of approval of new businesses;
- limitations on dividend distribution;
- limitations on provision of remuneration or benefit to directors, supervisors and senior management;
- limitations on transfer of assets or creation of encumbrances on the assets;
- demanded change of directors, supervisors and senior management or limitation on their rights;
- demanded transfer of equity interest held by controlling shareholders or limitations on exercise of their shareholders' rights;
- winding-up of business for rectification; and
- demanded take-over of business by other institutions.

We have in the past been found to be non-compliant with regulatory requirements. These incidents of non-compliance include, among other things, a delay in the transfer of equity ownership in China Securities and China AMC. Please see "Risk Management and Internal Control — Legal and Regulatory — Regulatory Review and Proceedings — Regulatory non-compliance" for details. Material incidents of non-compliance may subject us to penalties or limitation on our business activities, which could have a material adverse effect on our business, results of operations or financial condition.

We and our employees may, from time to time, become the subject of investigations by relevant regulatory authorities. In December 2009, a former employee of one of our securities brokerage branches was investigated for his suspected involvement in his clients' abnormal trading activities. Another employee in the same branch was also suspected of conducting non-compliance activities. In March 2010, one of our employees was investigated by the regulatory authorities for alleged insider trading. In October 2010, the SFC approached and investigated our subsidiary, CITICS CF Hong Kong, in relation to its involvement as a joint sponsor in the listing of the shares of a China-based company on the Hong Kong Stock Exchange in 2009. Please see "Risk Management and Internal Control — Legal and Regulatory — Regulatory Review and Proceedings — Regulatory investigations" for more details related to the investigations.

As these investigations are still ongoing, we are unable to predict their outcome. If these investigations result in any material findings of non-compliance, we may become subject to penalties and limitations or conditions on our business activities, which could materially adversely affect our business, reputation, results of operations or financial condition.

In addition, there is also the risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to our businesses or those of our clients could be imposed on a limited subset of financial institutions (either based on size, activities, geography or other criteria), which may adversely affect our ability to compete effectively with other institutions that are not affected in the same way.

Our investment banking business is dependent on our ability to identify, execute and complete projects successfully.

Our investment banking business accounted for approximately 9.9%, 11.0%, 10.9%, 7.8% and 7.2% of our total revenue and other income for the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011, respectively. We derive a large portion of our investment banking revenue and other income from sponsor fees and underwriting commissions and our ability to timely complete the projects we sponsor or underwrite may materially affect the level of income we derive from our investment banking business.

We are exposed to transaction-specific execution risks for each project we sponsor or underwrite. We generally receive payment of sponsor fees and underwriting commissions only after we successfully complete a transaction. If a project is not completed as scheduled or at all for any reason, such as the failure to obtain regulatory approval for a listing application we sponsor, we may not receive payment for our services in a timely manner, or at all, which could materially adversely affect our results of operations. In addition, if we fail to sell the securities we underwrite, we would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially adversely affecting our results of operations and financial condition.

Companies that wish to list their securities in China and Hong Kong require an investment bank to act as sponsor for the transaction. When we act as a sponsor, we are required to fulfil certain due diligence and disclosure requirements in connection with each project we sponsor. A failure to satisfy these requirements could subject us to fines and other administrative or regulatory penalties, which could materially adversely affect our business, reputation, results of operations or financial condition.

We generate a high percentage of our revenue from brokerage commissions, and our business, results of operations or financial condition could be materially and adversely affected by a reduction in brokerage commission rates or trading activities by our clients, or our failure to grow our brokerage client base.

We derived a high percentage of our revenue and other income from our brokerage business during the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011, revenue and other income from our brokerage business accounted for 53.9%, 57.2%, 36.5%, 58.6% and 43.4% of our total revenue and other income, respectively.

Revenue for our brokerage business is primarily derived from the commissions we charge our clients for their trading activities. Accordingly, revenue from our brokerage business depends significantly on the number of trades that we execute for our clients, which in turn is influenced by market conditions in China and Hong Kong. In a market downturn, our clients tend to reduce their trading activities.

China's capital markets are characterised by short-term investing behaviour among investors, which has resulted in a higher level of trading activity by our clients. However, as the capital markets in China develop and our clients become more sophisticated, they may reduce their trading activities in the future, which could adversely affect the commissions we derived from our brokerage business.

As at 30 June 2011, our brokerage business had 151 branches covering 89 cities in the PRC and seven branches in Hong Kong. We have invested significant resources into expanding our branch network and expect to continue to do so to grow our client base. However, there is no assurance that we will be successful in expanding our branch network due to regulatory limitations and other unforeseeable reasons. For example, we may not be able to obtain approvals for our applications to open new branches. In addition, we plan to expand our brokerage business by targeting high-net-worth individuals and broadening our product offering with more high-value-added products and services. We cannot assure you that this strategy will be successful.

In addition, our brokerage business could also be adversely affected by a reduction in our brokerage commissions as a result of increased competition in the brokerage industry and the availability of alternative trading systems. Accordingly, we cannot assure you that our revenue derived from the brokerage business can be sustained.

Our asset management revenue and earnings could decline if the investments we manage perform poorly, our clients withdraw assets we manage on short notice, or if we lose clients.

For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011, revenue and other income from our asset management business accounted for 19.4%, 15.8%, 13.3%, 22.8% and 21.9%, respectively, of our total revenue and other income. Investment performance affects our AUM and is one of the most important factors in retaining clients and competing for new asset management business. Market volatility and limitations in investment options and hedging strategies in China could limit our ability to provide stable returns for our clients and cause us to lose clients. Poor investment performance could adversely affect our revenue and growth because:

- existing clients might withdraw funds from our asset management business in favor of better performing products provided by our competitors, which would result in lower management fees for us;
- clients may request that we lower our fees for asset management services, particularly in an intensely competitive industry;
- our incentive fees, which are based on a percentage of investment returns, would decline; and
- firms with which we have strategic alliances may terminate such relationships with us, and future strategic alliances may be unavailable.

In addition, we may not be able to keep or increase our AUM due to increased competition from insurance companies, trust companies, banks and other competitors, which would adversely affect our results of operations and financial condition.

We may incur substantial losses in connection with our equity and fixed income sales and trading businesses.

We engage in the trading of various types of investment products, including equity, equity-linked securities, fixed income securities and derivatives. For the years ended 31 December 2008, 2009 and 2010 and the three months ended 31 March 2010 and 2011, revenue and other income from our equity and fixed income sales and trading businesses accounted for 13.6%, 14.3%, 17.3%, 8.9% and 19.9%, respectively, of our total revenue and other income. For the years ended 31 December 2008, 2009 and 2010, our average total portfolio VaR was RMB173 million, RMB246 million and RMB344 million, respectively. As each type of product we trade in presents a different risk and return profile, we are exposed to risks that are specific to each investment product, and we could incur substantial losses from our investments. In addition, due to limitations in investment options and hedging strategies in China, we may not be able to effectively hedge our exposures to the systemic risks associated with our investments, which could adversely affect our results of operations and financial condition.

We may fail to realise any profits from our investments in relatively high-risk, illiquid securities for a considerable period of time or lose some or all of the capital invested.

Our private equity funds hold investments in securities that are not publicly traded. The ability of our private equity funds to dispose of investments is heavily dependent on the equity capital markets. For example, the ability to realise any value from an investment may depend upon the ability to exit through an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to market risks during the intended disposition period. Accordingly, under certain conditions, our private equity funds may be forced to either sell securities at undesirable prices or defer sales, potentially for a considerable period of time. We have made and expect to continue to make significant capital investments in our current and future private equity funds. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

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

In the course of our business, we often commit substantial amounts of capital to certain types of businesses or asset classes, including our investment banking, equity and fixed income sales and trading, private equity and margin financing businesses. This commitment of capital exposes 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 equity and fixed income sales and trading and private equity activities, and credit risk, in the case of our margin financing business. Any decline in the value of such assets may reduce our revenues or result in losses.

We face increasing risks as new business initiatives lead us to offer new products and services, transact with a broader array of clients and counterparties and expose us to new asset classes and new markets.

As we continually expand our business and adjust our business strategies in the changing market, our new business initiatives often lead us to offer new products and services and transact with individuals and entities that are not within our traditional client and counterparty base, exposing us to risks related to new asset classes and new markets.

These activities expose us to new and enhanced risks, including reputational concerns arising from dealing with less sophisticated counterparties and investors, greater regulatory scrutiny, increased credit-related, sovereign, operational and market risks, which could adversely affect our business and results of operations. For example, we may suffer losses on the stock index futures contracts we enter into if stock prices move unfavourably. We are also subject to substantial risks in our newly developed margin financing business, if borrowers of margin loans default on payments or the value of the collateral for the loans is insufficient to cover the margin loan amount.

Our business is increasingly subject to the risks associated with international expansion.

We have expanded our operations beyond China. We plan to continue to expand our Hong Kong operations and explore entry into other overseas markets in the future. In expanding our business internationally, we have entered and intend to continue to enter into markets in which we have limited or no experience. We may not be able to attract a sufficient number of clients due to our limited presence in these markets. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. In addition, such expansion may increasingly subject us to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recessions;
- approval or license requirements;
- obligations to comply with foreign laws and other regulatory requirements;
- potential adverse tax consequences;
- political instability;
- changes in tariffs;
- difficulties in administering foreign operations generally;
- limited protection for intellectual property rights;
- increased risk of exposure to terrorist activities;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- difficulties in recruiting and retaining qualified personnel.

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

We may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and may not enhance our business as we expect.

We have in the past pursued joint ventures and other transactions aimed at expanding the geographic scope and scale of our operations. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulty with integrating personnel and financial and other systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations.

In May 2010, we announced that we had entered into negotiations with CA-CIB to explore opportunities to create a global institutional brokerage platform and an Asia-Pacific focused investment bank. These discussions culminated in the signing on 13 July 2011 of a sale and purchase agreement under which our wholly-owned Hong Kong subsidiary CSI has agreed to acquire a 19.9% equity stake in each of CLSA and CA Cheuvreux. Please see "Business — Minority Investments in CLSA and CA Cheuvreux" for details. While negotiations are ongoing, there can be no assurance as to the structure or eventual consummation of any such transaction, which is subject to a number of uncertainties.

We may not be able to realise any anticipated benefits or achieve the synergies we expect from these acquisitions or joint ventures; our clients may react unfavourably to our acquisition and joint venture strategy; and we may be exposed to additional liabilities of any acquired business or joint venture. Any of these could materially adversely affect our revenue and results of operations. In addition, future acquisitions or joint ventures may involve the issuance of additional shares of our Company, which may dilute your equity interest in us.

We are exposed to risks associated with divestments of our subsidiaries, businesses, assets or investments.

We are exposed to risks associated with divestments of our subsidiaries, businesses, assets or investments. We may divest our subsidiaries, businesses, assets or investments that represent a significant portion of our business. For example, to comply with relevant regulatory requirements, we divested a majority of our equity interests in China Securities in 2010, and are in the process of divesting a majority of our equity interests in China AMC. Such divestments may significantly reduce our total revenue and other income from the relevant business segments. For the financial impact of the divestment of China Securities and the revenue contribution of China AMC during the Track Record Period and for the six months ended 30 June 2011, please see "Financial Information — Impact of Divestments" and "Recent Developments", respectively. Such divestments may also subject us to numerous risks including unanticipated costs, diversion of management's attention and potential adverse effects on our existing business relationships with clients, which could have a material adverse effect on our business, results of operations or financial condition. In addition, we cannot assure you that we will be able to divest our subsidiaries, businesses, assets or investments at an advantageous price or at all. Our failure to realise the anticipated value of our subsidiaries, business, assets or investments could adversely affect our business, results of operations and financial condition.

Our operations may be adversely affected if we fail to obtain or maintain necessary approvals for conducting a particular business or offering specific products.

We operate in a highly regulated financial industry where many aspects of our business depend upon obtaining and maintaining the necessary approvals, licenses or permits from government authorities, such as the CSRC. We are required to comply with the relevant regulatory requirements prescribed by regulatory authorities when applying for approvals, licenses or permits for conducting new businesses or offering new products. As China's legal system and financial services industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may make it difficult for us to comply with regulatory requirements. If we cannot comply with such regulatory requirements, we may not be able to obtain or maintain the necessary approvals, licenses or permits from the relevant regulatory authorities, which may adversely affect our growth prospects, business, financial condition or results of operations.

The use of the "CITIC" brand name by other members of CITIC Group may expose us to reputational risks if these entities take actions that damage the "CITIC" brand name.

CITIC Group, our Company's largest shareholder, is one of China's largest conglomerates with significant interests in diverse industry sectors, including commercial banking, securities, insurance, investment and other financial services. As the "CITIC" brand name is also used by other members of CITIC Group, if any of these entities takes any action that damages the "CITIC" brand name, or any negative publicity is associated with any of these entities, our reputation, business, growth prospects, results of operations and financial condition may be adversely affected.

Our businesses may be adversely affected if we are unable to retain and hire qualified employees.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. As a result, our continued ability to effectively compete in our businesses, manage our businesses and expand into new businesses areas and geographic locations depends on our ability to retain and motivate our existing employees and attract new talented and diverse employees. Factors that affect our ability to retain and attract such employees include our compensation and benefits, and our reputation as a successful business with a culture of fairly hiring, training and promoting qualified employees.

Competition from businesses within and outside the financial services industry for qualified employees has often been intense. This is particularly the case in new markets that we enter into, where we often compete for qualified employees with entities that have a significantly greater presence or more extensive experience in the region.

A failure in our operational and IT systems could impair our liquidity, disrupt our businesses, result in the leakage of confidential information, damage our reputation and cause losses.

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions, some of which are highly complex and time sensitive. Consequently, we rely heavily on our financial, account, data processing or other operating systems and facilities. If any of these systems fails to operate properly or becomes disabled as a result of events that are wholly or partially beyond our control, our ability to process the transactions may be adversely affected. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Although we have invested significant resources into upgrading our systems to reduce the risk of potential failure in our systems and expect to continue to do so, we cannot assure you that the upgrade will be effective in preventing future system failures or that the revenue generated from the upgrade will yield an adequate return on our investment.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks and may be vulnerable to unauthorised access, computer viruses or other malicious programs and other events that could cause a security impact. If one or more of such events occur, this potentially could jeopardise confidential information processed and stored in, and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in reputational damage, litigation and/or financial losses.

We routinely transmit and receive personal, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that our clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. An interception or mishandling of personal, confidential or proprietary information being sent to or received from these third parties could result in legal liability, regulatory action and reputational harm and our efforts to ensure that these third parties have appropriate controls in place may not be successful.

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

We face the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries we use to facilitate our securities transactions. Any operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk. In addition, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems.

Employee misconduct could harm our reputation and business and is difficult to detect and deter.

Employee misconduct could result in violations of law by us, regulatory sanctions and material reputational or financial harm. Employee misconduct could include binding us to a transaction that exceeds authorized limits, hiding unauthorised or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, recommending transactions that are not suitable for us, engaging in fraudulent or otherwise improper activity, engaging in unauthorised or excessive trading to the detriment of us or our customers, or otherwise not complying with laws or our control procedures. We have, from time to time, detected certain incidents of regulatory non-compliance committed by our employees. Please see "Risk Management and Internal Control — Legal and Regulatory — Regulatory Review and Proceedings" for details. Except as disclosed in this prospectus, we have not been subject to any penalty for such incidents of employee non-compliance, nor has any of the required approvals or permits for our business operations been revoked as a result of these incidents. However, we cannot assure you that future incidents of employee misconduct will not subject us to serious penalties or limitation on our business activities. It is not always possible to deter employee misconduct, and the precautions we take to prevent and to detect such activity may not be effective in all cases. We could also suffer from negative publicity, reputational damage or litigation losses that could arise from the misconduct of our employees, which may have a material adverse effect on our business, results of operations or financial condition.

Our businesses and prospects may be materially adversely affected if we fail to maintain our risk management and internal control systems or these systems are proved to be ineffective or inadequate.

We have established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. Our businesses and prospects may be materially and adversely affected if our efforts to maintain these systems are proved to be ineffective or inadequate. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to record, process, summarize and report financial and other data in an accurate and timely manner, as well as adversely impact our ability to identify any reporting errors and non-compliance with rules and regulations.

Our internal control system may contain inherent limitations caused by misjudgment or fault. As a result, there is no assurance that our risk management and internal control systems are adequate or effective notwithstanding our efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being taken against us or our employees, disruption to our risk management system, and material and adverse effects on our financial condition and results of operations.

Substantial legal liability or significant regulatory action against us could materially and adversely affect our results of operations or financial condition, or cause us significant reputational harm and seriously harm our business prospects.

We face significant legal risks in our business, and the volume and amount of claims in litigation and regulatory proceedings against financial institutions are high. These risks include potential liabilities under securities or other laws for material false or misleading statements made in connection with securities or other transactions, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of complex trading arrangements. We may also be subject to claims for alleged negligent misconduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Currently, we are a party to a number of legal proceedings arising from the ordinary course of our business. Please see "Risk Management and Internal Control — Legal and Regulatory — Legal Proceedings" for certain legal proceedings we are involved in. We may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations or cause us significant reputational harm and seriously harm our business prospects.

We may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and adversely affect our business.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in China and other jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While we have adopted policies and procedures aimed at detecting and preventing the use of our networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where our networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, which may adversely affect our business.

Our liquidity, financial results and businesses may be adversely affected by an inability to access the equity and debt capital markets or to sell assets.

Liquidity is essential to our businesses, particularly those businesses that involve investing, lending and market-making. Our liquidity may be impaired by an inability to access the short-term and long-term debt and equity markets, an inability to sell assets at market price or at all or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects our counterparties or us, or even by the perception among market participants that we, or other market participants, are experiencing greater liquidity risk. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis. If our available funding is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of funding, both of which could reduce our profitability.

We are subject to capital requirements that may restrict our business activities.

The CSRC requires investment banks in China to maintain certain minimum net capital ratios and net capital requirements. For example, investment banks in China must maintain a minimum net capital to net assets ratio of 40%. In addition, in connection with its private equity business, the total amount of private equity investments made by an investment bank may not exceed 15% of its total net capital. If we fail to promptly adjust our asset composition to meet such requirements, we may be restricted from operating our businesses and our business, financial condition and results of operation may be adversely affected.

We utilise derivative instruments to reduce our investment portfolio's price fluctuations and to manage interest rate risk. We may not be able to successfully manage our risks through the use of derivatives. Derivative transactions could expose us to unexpected risks and potential losses.

We engage in derivatives transactions, including interest rate swaps, to hedge the interest rate exposure that arises from our asset and liability positions. We also use derivative instruments, such as stock index futures, to reduce the impact of price volatility of our investment portfolio. However, as the derivatives market in China is still in its early stages of development, our ability to hedge the market risks associated with our businesses in China is constrained by the limited derivative products available in China. Therefore, we may not be able to successfully use available derivative instruments to reduce our exposure to fluctuations in interest rates and foreign exchange rates and the prices of our investment products or the derivatives we utilise may not be completely effective.

We also engage in derivative transactions as part of our equity and fixed income sales and trading activities. Derivative contracts we enter into expose us to the risks associated with these instruments and their underlying assets, which could result to substantial unexpected losses. Derivative transactions also expose us to the credit risk of transaction counterparties. In addition, the secondary market for derivatives is volatile and we may be inexperienced in dealing with new products or making appropriate judgments in trading derivative products.

We are also party to derivative transactions that require that we deliver to the counterparty the underlying security or other obligation in order to receive payment. In a number of cases, we do not hold the underlying security or other obligation and may have difficulty in obtaining, or be unable to obtain, the underlying security or other obligation through the physical settlement of other transactions. As a result, we are subject to the risk that we may not be able to obtain the security or other obligation within the required contractual time frame for delivery. This could cause us to forfeit the payments due to us under these contracts or result in settlement delays with the attendant credit and operational risk as well as increased costs to us. Derivative contracts and other transactions entered into with third parties are not always confirmed by the counterparties on a timely basis. While the transaction remains unconfirmed, we are subject to heightened credit and operational risk and in the event of a default may find it more difficult to enforce the contract.

Our clients and counterparties may be unable to perform their obligations to us as a result of deterioration in their credit quality or defaults.

We enter into swap or other derivative contracts under which counterparties have obligations to make payments to us. We also extend credit to clients through margin financing or other arrangements that are secured by physical or financial collateral, the value of which may at times be insufficient to fully cover the loan repayment amount. As a result, we are exposed to the risks that third parties may default on their obligations to us because of bankruptcy, lack of liquidity, operational failures or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of our rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Although we regularly review credit exposures to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. We may also fail to receive full information with respect to the trading risks of counterparties.

Conflicts of interest are increasing and a failure to appropriately identify and address conflicts of interest could adversely affect our businesses.

As we expand the scope of our businesses and our client base, it is increasingly important for us to address potential conflicts of interest, including situations where our services to a particular client or our own investments or other areas of conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with other businesses within the firm and situations where we may be a counterparty of an entity with which we also have an advisory or other relationship.

We have extensive procedures and controls that are designed to identify and address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and our reputation, which is one of our most important assets, could be damaged and the willingness of clients to enter into transactions with us may be affected if we fail, or appear to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions, lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses, and expose our business activities to significant losses.

RISKS RELATING TO OUR INDUSTRY

The financial services industry is highly competitive. Such competitive pressure could adversely affect our businesses and prospects.

Our businesses operate in intensely competitive markets, in particular in the securities markets of China and Hong Kong. We compete on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of our staff, employee compensation and geographic scope.

We compete principally with other large investment banks in China and Hong Kong. We also face increasing competition from smaller investment banks, especially in our investment banking and brokerage businesses. In addition, we compete with commercial banks, insurance companies, fund management companies and private equity funds in particular areas, such as equity and fixed income sales and trading and asset management businesses and any new business areas that they may enter into in the future.

We face competition from foreign institutions when we expand our business internationally. Many of the financial institutions that we compete with are larger in terms of asset size and customer base and have greater financial resources, more specialised capabilities or more extensive distribution capabilities. Some of the foreign financial institutions we compete with have been expanding their operations in China, either organically or in partnership with existing financial institutions in China. Foreign financial institutions are currently subject to limitations on their business activities in China. We expect that we will face greater competition from our foreign competitors if these limitations and restrictions are lifted in the future. We also face increasing competition in overseas financial market due to the expansion of our international operation.

We also compete for clients, professionals and other skilled employees in every aspect of our businesses. If we are unable to compete successfully in any of our principal lines of business, our results of operations and financial condition would be materially adversely affected.

We may continue to experience pricing pressures in the future as some of our competitors seek to increase market share by reducing prices.

We have experienced intense price competition in some of our businesses in recent years. There has been considerable pressure on commissions, especially brokerage commissions. The growing trend to execute trades electronically, through the Internet and through other alternative trading systems, has increased the pressure on brokerage commissions. In addition, underwriting fees, financial advisory fees, as well as asset management fees, have also been subject to pricing pressure. We believe that we will continue to experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by reducing prices.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus with respect to China, its economy or its securities industry.

Facts, forecasts and statistics in this prospectus relating to China, its economy and financial conditions and its securities industry, including our ranking and market share information, are derived from various sources that are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by us and may not be consistent with the information available from other sources, and may not be complete or up to date. Because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

RISKS RELATING TO CHINA

China's economic, political and social conditions, as well as regulatory policies, significantly affect financial markets in China, as well as our liquidity, access to capital and ability to operate our business.

Substantially all of our assets are located in China, and we derive substantially all of our revenue from our operations in China. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. China's government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government control over currency exchange or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially adversely affected.

Uncertainties with respect to China's legal system could materially adversely affect us.

PRC laws and regulations govern our operations in China. We and most of our operating subsidiaries are organised under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of China's laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and can adversely affect the value of your investment.

In particular, China's financial services industry is highly regulated. Many aspects of our business depend upon the receipt of the relevant government authority's approvals and permits. As China's legal system and China's financial services industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially adversely affect our business, financial condition or results of operations.

China government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

The Renminbi currently is not a freely convertible currency. We receive most of our revenues in Renminbi and may need to convert Renminbi to foreign currency in order to meet our foreign currency obligations such as the payment of dividends, if any, to holders of our H Shares.

Under PRC laws and regulations, conversion of the Renminbi into foreign currencies for current account transactions, including the distribution of dividends and profits to foreign investors of FIEs is permissible and the approval of the SAFE is not required. FIEs may remit foreign currencies from their foreign currency bank accounts in the PRC upon presentation to banks of board resolutions authorizing the distribution of profits or dividends, subject to other requirements. However, conversion of the Renminbi into foreign currencies for capital account transactions, such as repatriation of capital, repayment of loans and for securities investment, is subject to state control and requires SAFE approval.

Following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue. If we fail to obtain approval from the SAFE to convert RMB into any foreign currency for capital account transactions, our capital expenditures, business, operating results and financial condition may be materially adversely affected.

It may be difficult to enforce any judgments obtained from non-PRC courts against us or our directors, supervisors or senior executive officers residing in China.

Most of our directors, supervisors and executive officers reside in China. In addition, most of our assets and those of our directors, supervisors and executive officers are located in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, it may not be possible for investors to serve process upon us or those persons in China, or to enforce against us or them in China, any judgments obtained from non-PRC courts.

Our Articles of Association and the Hong Kong Listing Rules provide that most disputes between holders of H Shares and us, our directors, supervisors or executive officers arising out of the Articles of Association or the PRC Company Law and related regulations concerning our affairs, are to be resolved through arbitration. Under the current arrangement for reciprocal enforcement of arbitral awards between China and Hong Kong, awards made by China's arbitral authorities that are recognized under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. On 14 July 2006, the Supreme People's Court of China and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, where any designated People's Court or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement remains uncertain.

Foreign individual holders of our H Shares may become subject to PRC income tax and the PRC tax obligations of foreign enterprises that are holders of our H Shares remain uncertain.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and Non-PRC Resident Enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under China's Individual Income Tax Law (中華人民共和國個人所得稅法). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside reduce or provide an exemption for the relevant tax obligations. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (1) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%. (2) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%, and (3) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For Non-PRC Resident Enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under China's New EIT Law (中華人民共和國企業所得税法), dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders Which are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知) issued by the State Administration of Taxation, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant Non-PRC Resident Enterprise.

As China's New EIT Law came into effect on 1 January 2008 and its implementation rules are relatively new, there remains significant uncertainty as to their interpretation and application by China's tax authorities, including the taxation of capital gains by Non-PRC Resident Enterprises, individual income tax on dividends to non-PRC resident individual holders of H Shares and on gains realized on sale or other disposition of H Shares. China's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and interpretation or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC law.

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

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

Fluctuation of Renminbi could materially affect our financial condition and results of operations.

We collect substantially all of our revenues in RMB, some of which will need to be converted into foreign currencies to pay dividends to our Shareholders. The value of the RMB fluctuates and is subject to changes in China's political and economic conditions. Since 21 July 2005, the RMB has no longer been pegged solely to the U.S. dollar. Instead, China's government introduced a managed floating exchange rate system to allow the value of the RMB to rise or fall by as much as 0.3% each day, based on market supply and demand and by reference to a basket of other currencies. It is likely that the exchange rates of the Hong Kong dollar and the U.S. dollar against the RMB will fluctuate further. In the event of significant change in the exchange rates of Hong Kong and U.S. dollars against RMB, our ability to pay dividends in foreign currencies may be adversely affected. In addition, any dividends in respect of our H Shares will be declared in RMB and paid in Hong Kong dollars. Accordingly, holders of H Shares in countries other than China are subject to risks arising from adverse movements in the value of the RMB against the Hong Kong dollar, which may reduce any dividends paid in respect of the H Shares. Further, after the Global Offering, the offering proceeds that we receive in foreign currencies will also be subject to fluctuations in the value of Renminbi, which could materially affect our financial condition and results of operations.

It is possible that PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and decrease intervention in the foreign exchange market. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares; 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 among us and the Joint Representatives 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 trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering. The market price of our H Shares may also decline following the Global Offering. In addition, the Global Offering may not result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as the following 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;
- 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; and
- fluctuation in the price and trading volumes of the A shares on the Shanghai Stock Exchange.

In addition, H shares of other PRC issuers listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

CITIC Group has substantial control over us and its interests may not be aligned with the interests of our other shareholders.

Upon completion of the Global Offering, CITIC Group will remain as our substantial shareholder and although it will not have a controlling interest of 30% or more in us, it remains the single largest shareholder.

Immediately following completion of the Global Offering and assuming that CITIC Group is the only State-owned shareholder of the Company who will reduce its Shares in accordance with the relevant PRC regulations on reduction of States-owned shares, CITIC Group will own directly and indirectly an aggregate of approximately 21.05% of our outstanding shares if the Over-allotment Option is not exercised (or approximately 20.63% if the Underwriters exercise the Over-allotment Option in full).

As a result, by virtue of its largest ownership of our share capital, CITIC Group will be able to exert significant influence over our business, including:

- election of our directors and supervision;
- amount and timing of dividends and other distributions;
- acquisition of or merger with another entity;
- overall business strategies and policies;
- issuance of new securities; and
- amendments to our Articles of Association.

The interests of CITIC Group may not be consistent with the interests of our other shareholders. To the extent the interests of CITIC Group conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed.

Ownership restrictions under PRC law may adversely affect the value of your investment.

Investments in investment banks in China are subject to a number of ownership restrictions. For example, any shareholder that holds or effectively controls 5% or more of the registered capital of a securities company in China through subscription, acceptance of the company's shares, shareholding in the company's shareholders or other means is required to notify the company and obtain prior approval from the CSRC. If such shareholders fail to obtain approval from the CSRC, they will lose their voting rights with respect to such shares until they are granted the corresponding shareholder qualification. In addition, according to our Articles of Association, any Shareholder that fails to obtain the shareholder qualification approved by the CSRC within one year of holding 5% or more of our registered capital should dispose of such shares. Ownership restrictions imposed by the government or our Articles of Association may materially and adversely affect the value of your investment.

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

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

Future sales, or market perception of sales, of substantial amount of our H Shares or A Shares in the public market, including any future offerings, or conversion of our A Shares to H Shares could have a material adverse effect on the market price of our H Shares and make it difficult for you to recover the full value of your investment.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares, A Shares or other securities relating to our H Shares or A Shares in the public market, or the issuance of new H Shares, A Shares or other securities relating to our H Shares or A Shares, or the perception that such sales or issuances may occur. Furthermore, upon the expiry of the lock-up period of the incentive Shares under the Share Incentive Arrangement on 6 September 2011, such incentive Shares are available for disposal or transfer by the grantees of such incentive Shares. Please see "Directors, Supervisors, Senior Management and Employees — Share Incentive Arrangement" for further details. Future sales, or perceived sales, of substantial amount of our H Shares or A Shares could materially adversely affect the market prices of our H Shares or A Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, our Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future offerings.

Upon completion of the H Share Listing, the NSSF will hold certain H Shares. These H Shares are not subject to any lock-up restrictions. Please see "Share Capital — Transfer of the State-owned Shares to the NSSF." Any future sales or perceived sales of our H Shares by the NSSF may adversely affect the market price of our H Shares.

Further, upon completion of the H Share Listing and Global Offering, CITIC Group will directly and indirectly hold 21.05% of our total issued share capital, assuming that the Over-allotment Option is not exercised and that CITIC Group is the only State-owned shareholder who will reduce its Shares in accordance with the relevant PRC regulations on reduction of State-owned shares. Subject to approval of the CSRC or the authorized securities approval authorities of the State Council, the A Shares held by CITIC Group may be converted into H Shares in the future without the approval of a class shareholder meeting, and such H Shares may be listed and traded on the Hong Kong Stock Exchange. Please see "Share Capital — Transfer of Our A Shares for Listing and Trading on the Hong Kong Stock Exchange as H Shares." Any future sales, or perceived sales, of the converted H Shares held by CITIC Group, could materially adversely affect the price of our H Shares.

You will experience immediate dilution and may experience further dilution if we issue additional Shares.

The Offer Price of the H Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, you and other purchasers of the H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value of approximately HK$9.17 per H Share (assuming an Offer Price of HK$14.02 per H Share, being the mid-point of our Offer Price range between HK$12.84 and HK$15.20 per H Share), and existing holders of our Shares will receive an increase in net tangible asset value per share of their H Shares. If we issue additional H Shares or equity-linked securities at a price lower than the net tangible asset value per H Share at the time of issuance, you and other purchasers of our H Shares may experience further dilution in the net tangible asset value per H Share.

The characteristics of the A share and H share markets are different.

Our A Shares have been listed and have traded on the Shanghai Stock Exchange since 6 January 2003. 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 laws and regulations, and 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. The H share and A share markets have different characteristics, including different trading volume and liquidity, and investor bases, including different participation levels of retail and institutional investors. As a result of these differences, the trading prices of our H Shares and A Shares may not be the same. 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 A share and H 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.

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

We paid dividends in each of the financial years since the listing of our A Shares on the Shanghai Stock Exchange in 2003. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. Any future declaration of dividends will be proposed by our Board of Directors and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Board of Directors may determine to be important. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable. Please see "Financial Information — Dividend Policy". There is no assurance that we will adopt the same dividend policy as we have adopted in the past.

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

Our management may spend the net proceeds from the offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to use the net proceeds from the offering to finance the expansion of our international operations, develop flow-based businesses and increase our working capital. Please see "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this offering.

You should rely on this prospectus in making investment decisions with respect to our H Shares.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, which may include certain information not contained in this prospectus. We have not authorized disclosure of any such information in the press or other media. Such media coverage, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation, business, financial condition and the price of our H shares. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. Therefore, you are strongly cautioned not to rely on press articles or other media in making your investment decisions with respect to our H Shares.

In addition, because our A Shares are listed on the Shanghai Stock Exchange, we are also required to make certain formal announcements in China and file certain reports with China's regulators relating to us and our A Shares to comply with the rules and regulations relating to the listing of our A Shares. Such announcements and reports do not and will not form a part of this prospectus and should not be relied on by prospective investors of our H Shares.

Accordingly, prospective investors are cautioned to make their investment decisions with respect to our H Shares on the basis of the information contained in this prospectus only and should not rely on any other information. 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.