The information presented in this section is derived from various official or publicly available publications and information or data from Wind Info. Please see "— Source of Information." We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The Company, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, Joint International Coordinators, the Joint Lead Managers, the Underwriters, or any of their respective directors, employees, agents, representatives, affiliates or advisors or any other parties involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

OVERVIEW

In 2010, the world's major economies recovered from the recession caused by the 2008 financial crisis. The global economy grew 5.0% in 2010, and according to the IMF's June 2011 estimate, the global real GDP will grow 4.3% in 2011 and 4.5% in 2012.

Benefiting from steady and rapid economic growth in the past three decades, China has been playing an increasingly important role in the global economy. According to the NBSC, China's nominal GDP increased from RMB21.6 trillion in 2006 to RMB39.8 trillion in 2010, representing a CAGR of 16.5%, compared to a CAGR of 6.3% for the global nominal GDP during the same period. In 2010, China surpassed Japan to become the second largest economy in the world. The following table sets forth the real GDP growth rates for China and the world in the periods indicated:

						IMF Forecast	
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
China	12.7%	14.2%	9.6%	9.2%	10.3%	9.6%	9.5%
World	5.2%	5.4%	2.9%	(0.5)%	5.0%	4.3%	4.5%

Source: NBSC and IMF.

We believe that the strong Chinese economy has been and will continue to be the primary driver of the development of the capital markets and investment banking industry in China and Hong Kong.

CAPITAL MARKETS IN CHINA

History

Phase I: Establishment of China's Capital Markets, 1978-1992

In the 1980's, activities in China's capital markets were limited to the issuances and distribution of treasury bills. The establishment of the Shanghai Stock Exchange and the Shenzhen Stock Exchange in 1990 represented a milestone in the development of China's capital markets. The two exchanges provided the necessary liquidity and trading platforms for listed stocks and led to the emergence of the investment banking industry in China.

Phase II: Creation of an integrated, uniformly regulated capital market in China, 1993-1998

The establishment of the CSRC in 1992 created a unified regulatory regime for China's capital markets. As the nationwide regulator, the CSRC formulates the regulatory framework and continually refines its regulations and rules to support the development of the capital markets in China.

Phase III: Structural reforms, 1999-2008

The implementation of the PRC Securities Law in 1999 and the amendments to the PRC Securities Law and the PRC Company Law in 2005 further enhanced the regulatory environment.

During this period, the Chinese government undertook a series of market-oriented reforms, including the lifting of restrictions on the trading of state-owned shares, which was one of the most important developments in China's equity markets. The reform allowed a large number of non-tradable shares to be gradually converted into freely tradable shares. The reform eliminated the difference in market value between non-tradable shares and public shares and greatly expanded the size of the market.

In 2004, the Shenzhen Stock Exchange introduced the SME Board to serve as a fund-raising and stock-trading platform for SMEs in China. The SME Board plays an increasingly important role in China's equity markets. During this period, a series of new products were introduced. The introduction of commercial paper and medium-term notes further accelerated the development of China's bond markets. The launch of QFII and QDII programs and the participation of foreign investment banks contributed to the globalisation of China's capital markets.

Phase IV: Development after global financial crisis, 2009-Present

The financial crisis in 2008 adversely impacted IPOs and secondary market trading on China's capital markets until the second half of 2009 when China's economy began to recover. After the Shenzhen Stock Exchange launched the ChiNext Board in October 2009, another fund-raising and stock-trading platform for SMEs, IPOs of SMEs contributed significantly to IPO activities in China. In 2010, equity capital raised on the SME Board and ChiNext Board was RMB202.8 billion and RMB96.3 billion, respectively, representing 41.3% and 19.6% of the total equity capital raised on China's equity markets in that year.

During this period, the portfolio of innovative products continued to grow in China. For example, the introduction of prime services and stock index futures provided new business opportunities for investment banks to generate additional revenue sources, increase brokerage commission rate and balance risk and return profiles.

Market Highlights

Driven by China's economic growth, a conducive regulatory environment, and the continual introduction of new financial products, China's capital markets have grown significantly in the past two decades.

Equity Markets

The Shanghai Stock Exchange and the Shenzhen Stock Exchange are the two principal equity exchanges in China. The following table sets forth certain information about the two exchanges at the end of 2010:

Markets	Main Trading Boards	Listed Securities	Number of Listed Companies	Stock Market Capitalisation (RMB billion)
Shanghai Stock Exchange	main board	stocks, funds, warrants and ETFs	894	17,901
Shenzhen Stock Exchange	main board	stocks, funds, warrants and ETFs	485	4,369
	SME Board	stocks	531	3,536
	ChiNext Board	stocks	153	736
Total			2,063	26,542

Source: Shanghai Stock Exchange and Shenzhen Stock Exchange, Wind Info.

From 2006 to 2010, the market capitalisation of stocks listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange increased from RMB8,940 billion to RMB26,542 billion, representing a CAGR of 31.3%, and the number of listed companies increased from 1,421 to 2,063, representing a CAGR of 9.8%. The following table sets forth the number and market capitalisation of listed companies on the two exchanges as at the dates indicated:

	As at 31 December					
	2006	2007	2008	2009	2010	CAGR
Stock market capitalisation (RMB in billions)	8,940	32,714	12,137	24,394	26,542	31.3%
Number of listed companies	1,421	1,530	1,604	1,700	2,063	9.8%

Source: Shanghai Stock Exchange and Shenzhen Stock Exchange, Wind Info.

As at 31 December 2010, China's equity markets ranked third in the world as measured by stock market capitalisation, trailing only the equity markets of the United States and Japan. In 2010, the trading turnover of China's equity markets surpassed that of Japan, making China's equity markets the second most active in the world. The following tables set forth the rankings of the major equity markets as measured by stock market capitalisation as at 31 December 2010 and trading turnover in 2010:

Ranking(1)	1	2	3	4	5	6	7	8	9	10
Country	USA	Japan	China	UK	India	EU(2)	Hong Kong	Canada	Brazil	Australia
Stock market capitalisation (US$ in billions)	17,284	4,100	4,028	3,613	3,229	2,930	2,711	2,170	1,546	1,455

(1) As measured by stock market capitalisation of all major exchanges in the countries or areas.

(2) EU refers to Euronext.

Source: World Federation of Exchanges, Wind Info.

Ranking[1]	1	2	3	4	5	6	7	8	9	10
Country	USA	China	Japan	UK	EU[2]	Germany	Korea	Hong Kong	Canada	Spain
Trading turnover (US$ in billions)	30,455	8,069	3,968	2,741	2,018	1,629	1,607	1,496	1,369	1,361

(1) As measured by stock trading turnover calculated on an unilateral basis of all the major exchanges in the countries or areas.

(2) EU refers to Euronext.

Source: World Federation of Exchanges, Wind Info.

Equity raised in China's equity markets in 2010 accounted for 13.5% of the total equity raised worldwide, compared to 4.7% in 2006. The following table sets forth the equity raised in China and the global capital markets for the periods indicated:

(US$ in millions except percentages)	2006	2007	2008	2009	2010
China	33,909	103,962	46,951	53,534	142,139
World	714,499	1,087,729	1,101,587	1,094,424	1,051,630
Percentage of equity raised in China to equity raised globally	4.7%	9.6%	4.3%	4.9%	13.5%

Source: World Federation of Exchanges, Wind Info.

Fixed Income Markets

The interbank bond market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and the OTC bond market are the principal fixed income markets in China. The following table sets forth certain information about these markets as at 31 December 2010:

Markets	Major Securities	Outstanding Carrying Amount
		RMB in billions
Interbank bond market	Treasuries, policy financial bonds, PBOC bills, financial bonds, enterprise bonds, medium-term notes, commercial paper asset-backed securities, bond forwards, bond repurchases, interest rate swaps	18,879
Shanghai Stock Exchange and Shenzhen Stock Exchange	Treasuries, enterprise bonds, corporate bonds and convertible bonds, bond repurchases	288
OTC bond market	Treasuries	172

Source: China Central Depository & Clearing Co., Ltd., Wind Info.

China's bond markets have also developed significantly in recent years. From 2006 to 2010, bond issuances in China increased from RMB5,663 billion to RMB9,451 billion, representing a CAGR of 13.7%. Bond issuances include bonds independently issued by government entities, such as treasuries, policy financial bonds and PBOC bills, and bonds underwritten by investment banks and commercial banks, such as enterprise bonds, corporate bonds, financial bonds, medium-term notes and commercial paper. The following table sets forth the total amount of bond issuances in China for the periods indicated:

	2006	2007	2008	2009	2010	CAGR
(RMB in billions except percentage)						
Total amount of bond issuances(1)	5,663	7,969	7,071	8,720	9,451	13.7%

Source: China Central Depository & Clearing Co., Ltd., Wind Info.

(1) Represent issuances of treasuries, policy financial bonds, PBOC bills, financial bonds, enterprise bonds, corporate bonds, medium-term notes and commercial paper.

Outlook

We expect China's strong economic growth will continue to drive the development of its capital markets. In particular, we believe that the key market factors that will contribute to the growth of China's capital markets include market capacity expansion, investor demographic evolution, product innovation, globalisation, and a conducive regulatory environment.

Market Capacity Expansion

The capacity of China's equity markets has grown steadily in the past years, and we believe the trend will continue in the future. In 2010, the ratio of stock market capitalisation to GDP in China was 68.5%, lower than an average of 102.8% in the developed economies referred to in the table below. This suggests that China's equity markets have room for further expansion. The following table sets forth the ratio of stock market capitalisation to GDP of the major economies in 2010:

	US	UK	Germany	Japan	Average	China
Stock market capitalisation (US$ in billions)	17,284	3,613	1,430	4,100	—	4,028
GDP (US$ in billions)	14,660	2,246	2,494	5,459	—	5,879
Ratio of stock market capitalisation to GDP (%)	117.9	160.9	57.3	75.1	102.8	68.5

Source: World Federation of Exchanges, Wind Info.

We believe that the large number of equity offerings and the launch of new listing boards, such as the International Board, will be the main drivers of market capacity expansion in the near future.

Investor Demographic Evolution

Institutional Investors

As the asset management industry develops, institutional investors have played an increasingly significant role in China's capital markets. The following table sets forth the percentage of floating A shares held by individuals and institutions as at the end of the following years:

	2006	2007	2008	2009	2010
Individuals (%)	57.5	51.3	45.4	31.3	29.2
Institutions (%)	42.5	48.7	54.6	68.7	70.8
Total	100.0	100.0	100.0	100.0	100.0

Source: CSRC, PBOC, Wind Info.

Sunshine private funds in China have experienced significant growth in the past five years by leveraging the legal scheme of trusts and focusing on domestic high-net-worth individuals. As the regulatory environment evolves and more financial derivatives are introduced into the market, Sunshine private funds in China may be presented with opportunities to transform into hedge fund institutions. The following table sets forth the number of private funds and plans issued by private funds in China for the periods indicated:

	2006	2007	2008	2009	2010	CAGR
Number of Private Funds	10	74	151	266	400	151.5%
Number of plans issued by private funds	16	131	277	596	1000	181.2%

Source: Wind Info.

Compared to individual investors, institutional investors have stronger demand for value-added services, such as research, prime services and market-making services from investment banks, and are less price-sensitive. For example, the emerging private funds continually require securities services for leverage, and utilise short-selling and derivative tools, as well as trading facilities and risk management solutions. This provides opportunities for leading investment banks with full-service support to grow their sales, trading and brokerage businesses with higher commission rates. As institutional investors tend to use new and sophisticated financial products and services, leading investment banks can also have a first-mover advantage in capturing business opportunities by providing trading and market-making services in connection with these new financial products.

High-net-worth Individual Investors

It is anticipated that value-added trading services for high-net-worth individuals will develop further in China due to the rapid growth of personal wealth and asset management needs. According to the NBSC, the per capita annual disposable income of China's urban residents increased from RMB11,759 in 2006 to RMB19,109 in 2010, representing a CAGR of 12.9%. According to Wind Info, the total investable assets of high-net-worth individuals, who have more than RMB10 million per capita of investable assets, is expected to reach RMB17.7 trillion in 2011, increasing by approximately 18% from 2010, and the number of such high-net-worth individuals is expected to reach 585,000, increasing by approximately 16% from 2010.

Equity and equity-linked products have become important components of the investment portfolio of Chinese households. As China's individual investors become more sophisticated, we expect them to invest in more complex financial products, which will drive the demand for new financial products such as prime services and stock index futures, creating new business opportunities for China's investment banks.

Product Innovation

China's regulatory regime is conducive to the accelerated innovation of financial products. We believe the continual introduction of new products will promote the development of China's capital markets, and as the needs of investors evolve, investment banks and other market participants will also create new products to diversify product portfolios and address changing needs.

We believe that in the near future, a series of new products or services will be launched or deregulated, such as the introduction of the Centralized Securities Lending Exchange to lift the restrictions on securities lending services, the emergence of market-making services for equity and equity-linked products such as stock outright repurchase, and the issuance of derivatives and structured products. We also expect that several new markets will be launched in the near future, including a national OTC market to provide a distribution and trading platform for unlisted shares and the International Board on the Shanghai Stock Exchange for overseas companies, which will require new investment banking and brokerage services from investment banks. These opportunities enable the leading investment banks with integrated business platforms, strong innovation capabilities and in-depth understanding of the regulatory regime to pioneer industry innovations.

Globalisation

The launch of QFII and QDII programs enhanced the globalisation of China's capital markets. The strong desire of foreign investors to invest in China has led to the development of the QFII program in recent years. According to the SAFE, the number of QFIIs increased to 97 in 2010 from 10 in 2003 when the QFII program was first launched, and the total approved quota of investment increased to US$20.7 billion in 2010 from US$1.7 billion in 2003, representing a CAGR of 42.9%. The QDII program was established to meet the needs of domestic investors to invest in overseas capital markets. According to the SAFE, the number of QDIIs increased to 88 in 2010 from one in 2004 when the QDII program was first launched, and the total approved quota of investments grew to US$68.4 billion in 2010 from US$9.9 billion in 2004, representing a CAGR of 38.0%. The QDII base has also been expanded to include a wide range of investors, including banks, fund management companies, insurance companies and trustees.

As China becomes an important and integral part of the global economy, it is strategically important for China's investment banks to gain entry into the international market through organic growth or acquisitions. Because of its geographic proximity to and cultural affinity with China, Hong Kong remains the preferred destination when China's investment banks expand overseas.

Regulatory Environment

The 12th Five-Year Plan promulgated by the Chinese government contains a series of policies that are conducive to the development of China's capital markets. According to the plan, the Chinese government aims to:

- substantially increase the proportion of direct financing as compared to traditional bank loan financing;
- further develop the main boards of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the SME Board, and the ChiNext Board;
- deepen the market-oriented reform of the approval system for equity offerings;
- actively promote the development of the bond markets by improving the offering mechanism and encouraging bond product innovation;
- expand the pilot programs for the agency share transfer system and accelerate the development of the OTC trading market;
- promote the development of the futures and derivatives markets;
- steadily promote asset-backed securitisation;
- encourage venture capital and private equity investments; and
- begin preparatory work for the launch of an International Board.

INVESTMENT BANKING INDUSTRY IN CHINA

Overview

At the end of 2010, there were 106 investment banks in China, 15 of which were listed on the stock exchanges in China. According to the SAC and Wind Info, the investment banking industry generated RMB191.1 billion in revenue and RMB77.6 billion in net profits in 2010. As at 31 December 2010, the total assets and equity of the industry were RMB1,970.0 billion and RMB566.4 billion, respectively.

Investment banks in China derive their revenue mainly from brokerage, trading, investment banking and asset management businesses. The following table sets forth the percentage of revenues derived from each type of business for the periods indicated:

	2008	2009	2010
Brokerage	70.5%	69.2%	56.8%
Trading and others	22.1%	22.6%	27.8%
Investment banking	6.2%	7.4%	14.3%
Asset management	1.2%	0.8%	1.1%
Total	100.0%	100.0%	100.0%

Source: SAC, Wind Info.

Investment Banking

The investment banking business primarily consists of equity and debt underwriting and financial advisory services.

After the market downturn in 2008, equity and debt offerings in China recovered rapidly in 2009 and 2010. The following table sets forth the amount of capital raised from equity offerings underwritten by investment banks in China for the periods indicated:

(RMB in billions except percentages)	2006	2007	2008	2009	2010	CAGR
IPOs	164.3	445.9	103.4	202.2	491.1	31.5%
Follow-on offerings	91.8	315.7	151.6	155.8	399.3	44.4%
Convertible bond offerings	14.3	28.9	71.0	7.7	71.7	49.6%
Total	270.4	790.5	326.0	365.7	962.1	37.3%

Source: Wind Info.

The following table sets forth the amount of capital raised from debt offerings underwritten in China for the periods indicated:

(RMB in billions except percentages)	2006	2007	2008	2009	2010	CAGR
Financial bonds	44.4	107.5	129.4	327.7	212.5	47.9%
Corporate & enterprise bonds	101.5	182.1	265.5	498.7	413.9	42.1%
Medium-term notes & commercial paper	292.0	334.9	607.6	1161.2	1185.8	42.0%
Total	437.8	624.5	1002.4	1987.7	1812.1	42.6%

Source: Wind Info.

In China, the securities underwriting business is relatively concentrated. According to the SAC, in 2010, CITIC Securities and China International Capital Corporation Limited commanded combined market shares of 26.5% and 10.4% in equity and debt underwriting, respectively, while the top ten investment banks commanded combined market shares of 65.4% and 21.8%, respectively. The following tables set forth the amount of capital raised from equity and debt offerings underwritten by the top 10 investment banks in 2010:

(RMB in billions)	CITIC Securities	China International Capital Corporation Limited	BOC International (China) Limited	Guotai Junan Securities Co., Ltd.	Haitong Securities Co., Ltd.	UBS AG	GuoSen Securities Co., Ltd.	Ping An Securities Company Ltd.	China Galaxy Securities Company Limited	Huatai Securities Co., Ltd.
Capital raised from equity offerings	137.5	117.3	65.8	59.4	48.5	48.1	47.2	43.0	31.9	30.9

Source: Wind Info.

(RMB in billions)	CITIC Securities	China International Capital Corporation Limited	China Galaxy Securities Company Limited	BOC International (China) Limited	UBS AG	Guotai Junan Securities Co., Ltd.	China Merchant Securities	Ping An Securities Company Ltd.	Credit Suisse Founder Securities Limited	China Jianyin Investment Securities
Capital raised from debt offerings	116.7	71.8	48.4	42.5	25.7	25.6	17.0	16.9	15.4	14.8

Source: Wind Info.

Equity offerings on the SME Board and ChiNext Board increased robustly in recent years. In 2010, 204 enterprises raised RMB202.8 billion of capital on the SME Board, accounting for 41.3% of total equity raised in China, while 117 enterprises raised RMB96.3 billion of capital on the ChiNext Board, accounting for 19.6% of total equity raised. Leading investment banks have increasingly focused on this market and recruited talent to enhance their competitiveness.

Since 2003, the CSRC has adopted a sponsorship system to define the due diligence responsibilities of investment banks in equity offerings. As a qualified sponsor representative can only sponsor at most one offering on the main boards of the Shanghai Stock Exchange and the Shenzhen Stock Exchange or the SME Board and one offering on the ChiNext Board at the same time, employing sufficient qualified sponsor representatives is crucial for investment banks to develop their underwriting business.

We believe that strong desire for expansion in China's growing economy will cause the capital needs of China's enterprises to remain strong, which we expect will support the continued growth of the underwriting business in China. In the near future, it is expected that the following factors will drive the capital needs of China's enterprises and their demand for underwriting services:

- expansion and upgrade of production facilities by large enterprises;
- more stringent regulatory capital requirements for financial institutions;
- reform and development of state-owned enterprises; and
- fast growth of SMEs.

Financial advisory services in China comprise mainly merger and acquisition and corporate restructuring advisory services. Currently, financial advisory services contribute a small portion of the revenue of China's investment banks. However, as merger and acquisition activities proliferate in China as a result of an increase in corporate restructuring, consolidation, and overseas expansion, we expect that financial advisory services will contribute more revenue to the leading investment banks with strong research capabilities and international networks.

Brokerage

In the brokerage business, investment banks are engaged by individual and institutional clients as agents to buy or sell securities on their behalf.

Along with the expansion of the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the total trading turnover of stocks, funds, warrants and bonds on the two stock exchanges have steadily grown in recent years, increasing from RMB21.9 trillion in 2006 to RMB125.3 trillion in 2010. The main factors impacting trading turnover include market performance and investor behavior patterns.

The following table sets forth the total trading turnover of equity, equity-linked and fixed-income products on the Shanghai Stock Exchange and the Shenzhen Stock Exchange for the periods indicated:

(RMB in billions except percentages)	2006	2007	2008	2009	2010	CAGR
Equity & equity-linked(1)	19,464	99,016	67,685	119,205	113,135	55.3%
Fixed income	2,446	3,197	4,825	7,036	12,179	49.4%
Total trading turnover	21,910	102,213	72,510	126,241	125,314	54.6%

(1) Represents trading turnover of stock, fund products and warrants.

Source: Wind Info.

In contrast to the growth in trading turnover, brokerage commission rates have declined in recent years. The main reasons include the intense competition among market participants and the low differentiation among retail brokerage services. In 2010, the SAC promulgated industry guidance on the appropriate pricing of brokerage commissions based on the cost of services, and this guidance is expected to alleviate pricing pressure in the short term. In the long term, we expect that the leading investment banks can generate higher profitability for their brokerage business by providing trading services for new financial products or value-added services for traditional products.

The brokerage business is relatively concentrated in China. In 2010, the total amount of trading turnover achieved by the top ten investment banks in China was RMB62.1 trillion, representing a combined market share of 49.6%. The following table sets forth the securities trading turnover of the top 10 investment banks in China in 2010:

(RMB in billions)	CITIC Securities	Huatai Securities Company Limited	Guotai Junan Securities Co., Ltd.	China Galaxy Securities Company Limited	Guangfa Securities Co., Ltd.	Shenyin Wanguo Securities Co., Ltd.	GuoSen Securities Co., Ltd.	Haitong Securities Co., Ltd.	China Merchants Securities Co., Ltd.	Everbright Securities Co., Ltd.
Total trading turnover(1)(2)	10,780	6,873	6,628	6,577	5,816	5,735	5,494	5,399	4,965	3,857

(1) Includes stock, fund products, warrants and bonds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

(2) Represents trading turnover of a company on a consolidated basis.

Source: Wind Info.

The shift of customer focus from retail investors to institutional investors and high-net-worth individuals is an on-going trend in the brokerage business. As investor demographics evolve, we expect that value-added brokerage services for institutional clients and high-net-worth individuals can generate stable revenues and will represent an important revenue source in the future.

Trading

The trading business primarily consists of investing in or trading of a variety of securities as a market-maker or as a principal. Historically, China's investment banks have conducted proprietary trades in both the equity and bond markets and trading has been one of their main revenue sources.

Investing and trading in China's equity markets represent relatively higher risks than in more advanced markets because there are limited mechanisms or products in China to hedge market risk or price volatility. The size of the traditional proprietary trading business has been unstable due to the high volatility of returns and lack of variety of financial instruments. Consequently, investment banks with a prudent trading philosophy generally seek stability of returns by increasing the proportion of bond products in their proprietary trading portfolio.

As more innovative financial products and services, such as interest rate swaps, stock index futures and other derivatives are introduced to China's capital markets, domestic investment banks have gradually extended their pure non-hedged trading portfolios to multi-strategy market-neutral trading portfolios. As customers' trading needs evolve and regulations governing proprietary trading in China remain stringent, investment banks are also gradually shifting their trading focus to market-making services for institutional investors. As market-makers, investment banks leverage their capital position and market experience to bridge transactions, provide liquidity and generate low-risk stable revenues.

Asset Management

The asset management business of China's investment banks primarily consists of mutual funds for retail customers through CAM plans, special accounts for enterprise annuity plans, the NSSF, institutional investors and high-net-worth individuals through TAM and SAM plans.

By the end of 2010, a total of 50 investment banks had launched 171 CAM plans, a type of mutual fund vehicle in China. However, the total AUM of CAM plans offered by investment banks is relatively small compared to the AUM of mutual funds managed by fund management companies in China, indicating that there is significant room for investment banks to expand their AUM.

In competition with fund management companies, China's investment banks also manage assets for the NSSF and enterprise annuity plans. As at 31 December 2010, only two investment banks (namely CITIC Securities and China International Capital Corporation Limited) had been authorised as qualified domestic investment managers for the NSSF and only three investment banks (namely CITIC Securities, Haitong Securities Co., Ltd. and Guotai Junan Securities Co., Ltd.) had been licensed to provide service to the NSSF for its equity interests in state-owned enterprises. The leading investment banks also actively provide annuity services to enterprises, which can generate higher synergies with their investment banking business.

The total AUM of investment banks increased from RMB82.1 billion in 2007 to RMB207.3 billion in 2010, representing a CAGR of 36.2%. The following table sets forth the AUM of investment banks in China for the periods indicated:

(RMB in millions except percentage)	2007	2008	2009	2010	CAGR
AUM	82,071	87,058	140,204	207,297	36.2%

Source: SAC, Wind Info.

Brand name, research capability and capitalisation have become the critical competitive factors in investment banks' asset management business. There is a high market concentration in the asset management industry in China. In 2010, the combined market share of the top three investment banks in China amounted to 38.9%, while the total combined market share of the top ten investment banks amounted to 67.5%. The following table sets forth the ranking of the top ten investment banks by AUM in 2010:

(RMB in millions)	CITIC Securities	China International Capital Corporation Limited	Guotai Junan Securities Co., Ltd.	Everbright Securities Co., Ltd.	China Merchants Securities Co., Ltd.	Huatai Securities Company Limited	Donghai Securities Co., Ltd.	Haitong Securities Co., Ltd.	Orient Securities Limited	Essence Securities Co., Ltd.
AUM	45,956	23,037	11,548	9,342	9,333	9,208	8,702	8,699	7,855	6,306

Source: SAC, Wind Info.

It is expected that the asset management business will continue to grow rapidly. The drivers of China's asset management business include the rapid accumulation of household wealth, the low ratio of mutual fund AUM to bank deposits, and the increasing asset management needs of enterprises and pension funds.

The rapid accumulation of household wealth has provided the foundation for the development of the asset management business in China. According to the PBOC, household deposits in China increased from RMB16,159 billion in 2006 to RMB30,330 billion in 2010, representing a CAGR of 17.0%. The following table sets forth bank deposits in China for the periods indicated:

(RMB in billions except percentage)	2006	2007	2008	2009	2010	CAGR
Household deposits	16,159	17,253	21,789	26,077	30,330	17.0%
Enterprise and other deposits	17,385	21,684	24,832	33,697	41,494	24.3%
Total deposits	33,543	38,937	46,620	59,774	71,824	21.0%

Source: PBOC, Wind Info.

In 2010, the ratio of mutual funds AUM to deposits in China was only 3.3%, which was much lower than the average of 49.3% in the developed economies referred to in the table below, indicating strong growth potential in China's asset management business. The following table sets forth the ratio of mutual fund AUM to deposits in the major economies in 2010:

	US	UK	Germany	Japan	Average	China
Ratio of AUM(1) to total deposits (%)	143.4	21.6	21.9	10.5	49.3	3.3

(1) Includes AUM of equity funds, bond funds, money market funds, balanced/mixed funds and other funds.

Source: SAC, Wind Info.

Innovation

Prime Services

Prime services are new financial services in China that obtained regulatory approval and launched in March 2010. They mainly consist of margin financing and securities lending. Margin financing refers to the lending of funds by investment banks to investors for securities purchases, and securities lending refers to the lending of securities by investment banks to investors for short selling transactions.

By the end of 2010, the CSRC had granted permission to 25 investment banks to provide prime services. Prime services have not only provided new income sources for investment banks, but have also stimulated trading activities. By the end of 2010, the balance of margin financing and securities lending reached RMB12,772 million. The following table sets forth the average quarterly balance of margin financing and securities lending for the periods indicated:

	As at the end of					
	Q1 2010	**Q2 2010**	**Q3 2010**	**Q4 2010**	**Q1 2011**	**Q2 2011**
(RMB in millions)						
Ending balance of margin financing and securities lending	7	1,498	4,702	12,772	20,908	27,399

Source: Wind Info.

Investment banks derive revenue by charging interest for lending funds or securities. According to the CSRC, the minimum interest rate to be charged is 300 basis points higher than the benchmark lending rate for six-month loans set by the PBOC. Prime services are highly regulated in China. For example, in the margin financing business, investors must have accounts with investment banks that have been open for more than eighteen months before they can borrow funds and only 90 stocks are permitted to be traded on margin. In the securities lending business, investment banks are currently still limited to lending securities held in their own account. It is expected that the prime services businesses will grow rapidly if the Centralised Securities Lending Exchange is launched, where investment banks will be allowed to act as agents and lend securities borrowed from other financial institutions. In August 2011, the CSRC published a draft version of the trial measures for regulating the Centralised Securities Lending Exchange in China for public comment. We believe that other drivers for the prime services business will include the continued growth of private funds, which will increasingly require securities lending services to execute short-selling strategies, the potential relaxation of account opening requirements and the expansion of the portfolio of permitted underlying securities.

Stock Index Futures

Stock index futures are financial products that were launched in China in April 2010. Stock index futures are standard futures contracts based on a particular stock index, such as the CSI 300 index. Investors can trade stock index futures contracts on futures exchanges and utilize stock index futures for price hedging, calendar spread arbitrage, future cash arbitrage and other purposes.

Since the introduction of stock index futures, the ratio of trading turnover of stock index futures to trading turnover of stocks remains high. In the second quarter of 2011, the quarterly trading turnover of stock index futures was RMB9,545 billion, representing 86.3% of the quarterly trading turnover of stocks. The following table sets forth the quarterly trading turnover of stock index futures and stocks and the ratio of quarterly trading turnover of stock index futures to that of stocks for the periods indicated:

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Quarterly trading turnover of stock index futures (RMB in billions)	10,569	15,887	14,614	11,234	9,545
Quarterly trading turnover of stocks (RMB in billions)	10,960	12,358	19,381	13,487	11,063
Ratio of trading turnover of stock index futures to trading turnover of stocks (%)	96.4%	128.6%	75.4%	83.3%	86.3%

Source: Wind Info.

As a wide range of investors participate in the trading of stock index futures, including investment banks, mutual funds, private funds and insurance companies, we expect that the stock index futures market will maintain a high level of trading turnover, representing a considerable business opportunity for China's investment banks.

Private Equity

Private equity refers to the business in which investment management companies invest in the equity of private enterprises and realise profits by selling the equity, either in equity markets after the public listing of the enterprises, or to other investors in non-public markets.

Driven by attractive returns, private equity investments in China have grown significantly in recent years. The following table sets forth the amount of RMB raised by private equity funds for the periods indicated:

	2006	2007	2008	2009	2010	CAGR
(RMB in millions except percentage)						
RMB private equity funds raised	2,625	10,617	19,206	12,343	22,443	71.0%

Source: Wind Info.

Private equity investments and the IPO underwriting business have strong synergies in China. Private equity investments serve as a channel for investment banks to promote their IPO underwriting business and successful IPO execution provides viable exit options for private equity investments. Leading investment banks with integrated private equity investment and IPO underwriting platforms are in a strong competitive position to capture investment opportunities in China.

In addition, the PRC authorities and investment banks are gradually promoting investments by QDIIs, asset backed securitisation, stock repurchase and other innovative financial products. We believe that in the long term, innovative financial products will provide alternative income streams for China's investment banks.

CAPITAL MARKETS IN HONG KONG

Market Highlights

Growing Significance

The Hong Kong Stock Exchange, comprising the Main Board and GEM, is the principal capital market in Hong Kong. In 2010, the Hong Kong Stock Exchange ranked second in the world in terms of equity capital raised. According to the HKEx Fact Book, the amount of capital raised from the primary market amounted to HK$858 billion, including HK$449 billion from IPOs and HK$409 billion from follow-on offerings, both of which were record highs.

As at 31 December, 2010, the Hong Kong Stock Exchange ranked as the seventh largest stock market in the world by market capitalisation. According to the HKEx Fact Book, from 2006 to 2010, the market capitalisation of the Hong Kong Stock Exchange increased from HK$13.3 trillion to HK$21.1 trillion, representing a CAGR of 12.2%. Annual trading turnover increased from HK$8.4 trillion in 2006 to HK$17.2 trillion in 2010, representing a CAGR of 19.7%. The number of futures and options contracts traded on the derivatives market of the Hong Kong Stock Exchange increased from 43 million in 2006 to 116 million in 2010, representing a CAGR of 28.2%. The following table sets forth certain information on the Hong Kong Stock Exchange (including the Main Board and GEM) for the periods indicated:

	2006	2007	2008	2009	2010	CAGR
Number of listed companies	1,173	1,241	1,261	1,319	1,413	4.8%
Market capitalisation (HK$ billion)	13,338	20,698	10,299	17,874	21,077	12.1%
Equity capital raised (HK$ billion)	525	591	427	642	858	13.1%
From IPOs (HK$ billion)	334	292	66	248	449	7.7%
From follow-on issuances (HK$ billion)	191	298	361	394	409	21.0%
Debt capital raised (HK$ billion)	65	58	42	47	140	21.1%
Annual trading turnover (HK$ billion)	8,376	21,666	17,653	15,515	17,210	19.7%
Average daily trading turnover (HK$ billion)	34	88	72	62	69	19.4%
Number of future and option contracts traded (million)	43	88	105	99	116	28.2%

Source: HKEx Fact Book.

China Concept Stocks

Global investors are attracted to the Hong Kong capital market because of its convenient access to China and its well-established legal and regulatory system. According to the HKEx Fact Book, the number of China-related enterprises listed on the Main Board and GEM, including both H share and Red Chip enterprises, increased from 231 in 2006 to 265 in 2010, while their market capitalisation increased from HK$6,331 billion in 2006 to HK$9,616 billion in 2010. As at 31 December 2010, the market capitalisation of China-related enterprises accounted for 45.6% of the total market capitalisation of the Hong Kong Stock Exchange, increasing from 25.6% in 2001. In 2010, China-related enterprises raised equity capital of HK$346.9 billion on the Hong Kong Stock Exchange, accounting for 40.4% of the total equity capital raised in 2010. The following table sets forth certain information about the China-related enterprises listed on the Main Board and GEM of the Hong Kong Stock Exchange as at the end of the periods indicated:

	2006	2007	2008	2009	2010	CAGR
(HK$ in billions except percentages)						
Market capitalisation of H share enterprises	3,379	5,080	2,732	4,713	5,230	11.5%
Market capitalisation of Red Chip enterprises	2,952	5,524	2,876	3,869	4,386	10.4%
Total market capitalisation of China related enterprises	6,331	10,604	5,608	8,582	9,616	11.0%

Source: HKEx Fact Book, Wind Info.

RMB Globalisation

In 2010, the globalisation of the RMB became a new market highlight in Hong Kong. With the aim of establishing the RMB as a global reserve currency in the long term, in 2009, the PRC government began introducing a series of measures to support the globalisation of the RMB. In 2010, there were significant developments in various areas of RMB financial services and products, such as cross-border trade settlement, deposits, bond issuances and fund management products.

Since the introduction of the RMB trade settlement scheme in July 2009, the amount of RMB cross-border trade settlement increased from RMB43 million in July 2009 to RMB101.0 billion in December 2010. Supported by the increasing volume of trade transactions, RMB deposits in Hong Kong reached RMB314.9 billion at the end of 2010, compared to RMB62.7 billion at the end of 2009, representing an annual growth rate of 402%. The following table sets forth the amount of RMB deposit balance in Hong Kong as at the end of each period:

(RMB in billions except percentage)	2006	2007	2008	2009	2010	CAGR
RMB deposit balance	23.4	33.4	56.1	62.7	314.9	91.5%

Source: Hong Kong Monetary Authority.

The growing liquidity of RMB has enabled Hong Kong to gradually become an offshore RMB financing platform. The RMB-denominated bond market, also known as the dim sum bond market, has been growing quickly since 2009. In 2010, 16 RMB bond offerings were made in Hong Kong, raising capital of RMB35.8 billion, representing an increase of 123.8% from 2009. The diversity of bond issuers, including MOF, domestic and foreign banks and companies, and Asian Development Bank, is indicative of the willingness to utilise Hong Kong as the comprehensive financial platform for RMB fund raising. The following table sets forth the amount of capital raised from RMB-denominated bond offerings in Hong Kong for the periods indicated:

(RMB in billions except percentage)	2007	2008	2009	2010	CAGR
RMB-denominated bond offerings in Hong Kong	10.0	12.0	16.0	35.8	53.0%

Source: Hong Kong Monetary Authority.

In July 2010, the revision of the Settlement Agreement on the Clearing of Businesses effectively removed the restrictions on RMB interbank transfers between personal accounts and corporate accounts. Market participants quickly responded to this development and launched a wide range of RMB financial and fund management products, such as RMB-denominated insurance policies and investment funds. In August 2010, the PBOC promulgated a pilot scheme to allow RMB clearing banks and participating banks outside China to invest in China's interbank bond market, which provides a pathway for the circulation and capital preservation of RMB funds in Hong Kong. In addition to RMB bonds, other types of RMB-denominated products were introduced into the Hong Kong capital markets. For example, the first RMB-denominated REIT, Hui Xian REIT, was also successfully issued in 2011, raising capital of RMB10.5 billion.

Investment Banking Industry in Hong Kong

According to the SFC, as at the end of 2010, 484 institutional participants were licensed by the SFC, including 431 participants of the Hong Kong Stock Exchange, 116 participants of the Hong Kong Futures Exchange participants, and 63 participants of both the Hong Kong Stock Exchange and Hong Kong Futures Exchange. Hong Kong's unique geographic position and mature legal and regulatory system has attracted most of the global investment banks to establish a significant presence in Hong Kong.

China has become the key driver of the development of Hong Kong's capital markets. New business opportunities have promoted the development of China's investment banks with business operations in Hong Kong. Prior to 2000, the majority of China's investment banks in Hong Kong focused on securities brokerage. Since 2000, as the financing activities of China's enterprises gradually increased, investment banking, in particular securities underwriting, has become a main income source. From 2001 to 2010, the amount of the stock offerings jointly lead-managed by Chinese investment banks in Hong Kong increased from HK$9,780 million to HK$257,417 million, representing a CAGR of 43.8%. A number of China's investment banks have become full-serviced investment banks, spanning investment banking, brokerage, sales and trading, private wealth management, asset management and investment research.

Outlook

IPOs and Follow-on Issuances

The Hong Kong Stock Exchange has become the preferred listing venue for China-related enterprises, and it is expected that more China-related enterprises will choose to list on the Hong Kong Stock Exchange. Furthermore, it is expected that offshore listings, especially in Hong Kong, will continue to be one of the preferred capital exit channels for venture capital or private equity funds that invest in China's SMEs.

RMB Innovative Products

We expect that the globalisation of the RMB will continue to give rise to new business opportunities for investment banks in Hong Kong, especially investment banks with a Chinese background. These opportunities include not only the rapidly growing underwriting business for RMB-denominated bond offerings, but also RMB-denominated equity offerings and financial advisory services for RMB direct investment by enterprises in China and overseas. For example, in early 2011, the PBOC announced a pilot scheme that allows China's enterprises to conduct overseas direct investment in RMB.

As the Hong Kong RMB market develops, we expect that a series of RMB investment services will be introduced, including trading services for RMB-denominated fixed income products and equity derivatives, as well as RMB fund management services which will provide new business opportunities in trading and investment for investment banks in Hong Kong.

Growing Fund-raising from Foreign Enterprises

Since 2007, the Hong Kong Stock Exchange has begun to liberalise listing requirements for foreign issuers by adding new jurisdictions as acceptable locations for the incorporation of issuers. According to statistics published on the website of the Hong Kong Stock Exchange, the number of acceptable jurisdictions increased to 18 as at 30 June 2011 from three in 2007, therefore facilitating the listing of foreign issuers on the Hong Kong Stock Exchange through multiple means, including IPOs, dual listings, and the issuance of Hong Kong depositary receipts. Since 2009, Hong Kong has increasingly become an attractive market for foreign enterprises seeking listings and fund-raising. From 2009, a number of high-profile foreign enterprises, including AIA Group Ltd, United Co Rusal Ltd, Mongolian Mining Corp, L'Occitane International SA, Prada S.P.A. and Samsonite International S.A., have been successfully listed in Hong Kong.

Increasing Global Capital Inflows

We believe the growth of China's economy will remain a key attraction for global investors to participate in Hong Kong's capital markets. With confidence in the efficiency and transparency of Hong Kong's capital markets, international investors are able to invest in China-related enterprises through Hong Kong's capital markets and benefit from China's economic growth in a secure and convenient environment.

Historically, international investors have consistently shown an interest in investing in Hong Kong's stock markets. According to statistics published on the website of the Hong Kong Stock Exchange, stock trading turnover contributed by foreign investors as a percentage of total stock trading turnover on the Hong Kong Stock Exchange grew from 40.2% in 2001 to 46.3% in 2010, attesting to the continuing attraction of Hong Kong as a key financial center in the world.

SOURCE OF INFORMATION

In addition to the statistical, market share information and industry data extracted from official government publications, certain information or data in this prospectus is sourced from Wind Info including information as to our market share and ranking set forth under "Business". Wind Info is an integrated service provider of financial data, information and software. Wind Info serves China's financial enterprises including investment banks, securities firms, fund management firms, insurance companies, banks and investment companies. It maintains a comprehensive financial database on China's financial industry, including financial information and databases on stocks, bonds, foreign exchange, futures, insurance, derivatives, commodities, the macro economy and financial news. All subscribers may retrieve information or data from Wind Info's database by themselves or request Wind Info to provide additional information or data from the database.

For our normal course of business purposes, we have subscribed for the China financial industry information or data supplied by Wind Info since 2007. The annual subscription fees vary with the number of the Company's terminals that have access to the Wind Info data services and exclude any other subscription or service fees for data services incurred by us in the ordinary course of our business. Such annual subscription fees paid or payable by us are at the prevailing market rates and are determined on arm's length basis between Wind Info and us. Market information attributable to Wind Info in this prospectus is quoted from the information provided by Wind Info to us through the Company's annual terminal subscriptions. Information derived from Wind Info reflects historical statistics and estimates of the market conditions based on information collected by Wind Info independently from various public sources, including the SAC, Shanghai Stock Exchange and Shenzhen Stock Exchange, and we believe that such information is fair and reliable. Wind Info has prepared the information based on sources believed by Wind Info to be reliable, but there is no assurance as to the accuracy or completeness of the quoted information. Investors should note that no independent verification has been carried out on any information or data provided by Wind Info. We believe that the sources of information from Wind Info are appropriate sources for such information and have no reason to believe that such information is false or misleading in any material respect or any part has been omitted that would render such information false or misleading in any material respect.

As at the Latest Practical Date, CITIC PE Fund, a company in which we have a 35.0% equity interest, is the manager of CITIC Mianyang Private Equity Fund established by CITIC PE Fund. Our Company has invested in a 5.6% interest in CITIC Mianyang Private Equity Fund, which has invested in a number of companies as part of its investment portfolio, including a less than 5% equity interest in Wind Info. One of our non-executive Directors, Mr. Liu Lefei, who is the chairman of CITIC PE Fund, acts as a non-executive director of Wind Info. He does not participate in the day-to-day management of Wind Info. Despite our indirect interest in Wind Info and Mr. Liu Lefei's directorship with Wind Info, we have not exerted any influence over the information and data quoted from Wind Info.