The following information should be read in conjunction with the Group's audited consolidated financial statements as at and for the years ended 31 December 2008, 2009 and 2010, and as at and for the audited three months ended 31 March 2011, included in the Accountants' Report in Appendix I to this prospectus, together with the accompanying notes (the "Financial Information"), and the information set forth under "Recent Developments" in this prospectus and the Group's unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2010 and 2011, included in Appendix II to this prospectus, together with the accompanying notes.

This discussion contains forward-looking statements that reflect the current views of management and involve risks and uncertainties. The Group's actual results may differ materially from these forward-looking statements as a result of many factors, including but not limited to those described under "Forward-Looking Statements" and "Risk Factors" and elsewhere in this prospectus.

All references to 2008, 2009 and 2010 in this discussion refer to our fiscal year ended 31 December 2008, 31 December 2009 and 31 December 2010, respectively, unless the context otherwise requires.

All figures in this Financial Information section have been rounded to the nearest million, where applicable, and all percentages in this Financial Information section are calculated based on the figures used in this Financial Information section. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

OVERVIEW

We are a China-based full-service investment bank offering a wide range of products and services to a large and diverse client base that includes corporations, financial institutions, governments and individuals. Our principal business lines and products and services include:

Investment Banking	Sales, Trading and Brokerage	Asset Management	Investment
• Equity finance	• Equity sales and trading	• CAM	• Private equity
• Debt and structured finance	• Fixed income sales and trading	• TAM	• Principal investment
• Financial advisory	• Prime services	• SAM	
	• Retail brokerage	• China AMC	

We report our financial results in the five reporting segments identified below. To better manage our agency and principal (including market-making) activities, we report financial results from our Sales, Trading and Brokerage business line in two segments: our Brokerage segment where we act as an agent for our clients and our Trading segment where we act as a principal or a market-maker. In addition, financial results from our Investment business line are reported in our Others segment. Our five reporting segments are:

- Investment Banking, which primarily includes revenue from underwriting and advisory fees we earn from equity and debt underwriting, and financial advisory services;

- Brokerage, which primarily includes revenue from fees and commissions we earn by providing brokerage services to retail and institutional customers, as well as interest income we earn on cash held on behalf of our customers ("Brokerage Deposits"). For detailed information on Brokerage Deposits, please see "— Segment Operating Results — Brokerage" and "— Liquidity and Capital Resources — Assets and Liabilities" below;

- Trading, which includes investment income and interest income we earn from trading of, and market-making in equity, fixed income and derivative securities, margin financing and securities lending activities;
- Asset Management, which primarily includes revenue from management and advisory fees we earn from providing management services to mutual funds, pension funds, annuity plans and other investment accounts. We also report financial results from the asset management activities of our subsidiary China AMC in this segment; and
- Others, which primarily includes revenue from the other principal investments we make, including private equity investments we make through our subsidiary GoldStone, as well as principal investments that we make on a strategic long-term basis, including profit and loss we record from our associates and jointly-controlled entities, and gains we recognise from the divestment of equity interests in our subsidiaries, such as China Securities in 2010.

BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the IASB. All IFRS effective for the accounting periods commencing from 1 January 2008, 2009, 2010 and 2011 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the relevant periods.

The Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss and available-for-sale financial assets that have been measured at fair value (unless the fair value cannot be reliably measured), as further explained in the respective accounting policies set forth in the Accountants' Report in Appendix I to this prospectus. The Financial Information is presented in RMB, and all values presented herein are rounded to the nearest million except when otherwise indicated.

The Financial Information comprises the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intragroup balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Please see note 2.2 in Section II of the Accountants' Report in Appendix I to this prospectus for more detail on the consolidation of subsidiaries.

We divested the majority of our equity interest in China Securities in the fourth quarter of 2010, as a result of which we ceased to consolidate China Securities' financial results in our financial statements. In May 2011, we announced our plan to divest 51% of our equity interest in our wholly-owned subsidiary, China AMC. Upon the completion of this divestment, we will similarly cease to consolidate China AMC's financial results in our financial statements. Please see "— Impact of Divestments" below for additional information concerning divestments and planned divestments.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL RESULTS

Due to the nature of our business, our results of operations, financial condition and the period-to-period comparability of our financial results are significantly affected by a number of factors, including those described below:

Macroeconomic Conditions in the PRC

Our results of operations and financial conditions are significantly affected by economic conditions in China and, to a lesser extent, the economic conditions of Hong Kong, the wider Asian region and the rest of the world. China experienced rapid economic growth over the past three decades. 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 global nominal GDP during the same period. In 2010, China surpassed Japan to become the second largest economy in the world. The growth of China's economy has led to increasing corporate activities as well as significant increases in personal wealth, evidenced by the per capita annual disposable income of China's urban residents increasing from RMB11,759 in 2006 to RMB19,109 in 2010, a CAGR of 12.9%. Increased levels of corporate activity and personal wealth have generally led to the growth in the investment banking and securities businesses in China.

The global financial crisis in 2008 led to a rapid deterioration of the global macroeconomic environment and a sharp decrease in economic activities. During the global economic crisis, an unfavorable economic outlook and declining investor confidence about the health of global financial institutions and the global financial system brought about large losses in worldwide capital markets, including in the PRC and Hong Kong. In addition, these unfavorable market conditions adversely affected the number and size of transactions in which we provided underwriting and financial advisory services. In response to the crisis, the governments and central banks of the major world economies instituted a range of stimulus measures to help stabilise the capital markets and halt the downward trajectory of the global economy. These measures included the injection of liquidity into their banking systems, lowering interest rates and looser monetary and fiscal policies. Similarly, in China, the government implemented significant fiscal stimulus packages and loosened monetary policies, which resulted in China's economy returning to a growth trend and China and Hong Kong's capital markets recovering in the second half of 2009. China's real GDP grew by 9.2% in 2009 and 10.3% in 2010. Global market conditions remain volatile, and recent volatility in the capital markets in the United States and other jurisdictions has had a corresponding effect on China and Hong Kong's capital markets and may continue to do so in the future.

Equity Market Conditions

One of the primary market factors affecting our financial results is fluctuations in the equity markets. The equity markets in China, as well as in Hong Kong, experienced strong market volatility throughout the financial crisis in 2008 and the first half of 2009. The CSI 300 index decreased 41.9% from 5,385 on 1 January 2008 to 3,128 on 31 December 2010, and during this period reached a high of 5,731 and a low of 1,627. The HSI decreased 16.4% from 27,560 on 1 January 2008 to 23,035 on 31 December 2010, and during this period reached a high of 27,615 and a low of 11,015.

Fluctuations in equity markets may affect the market value of equity and equity-linked products. Fluctuating market prices could affect the value of our own portfolio of financial assets, and we may be required to record losses that would negatively impact our financial results due to the decline in equity prices. We use derivative instruments to reduce our investment portfolio's exposure to price fluctuations, but these derivative instruments may not be completely effective at managing these risks. In addition, volatile equity prices can discourage investor confidence in the capital markets and if a significant number of our clients choose to liquidate their investment positions and refrain from investing in equities until equity price fluctuations ease, revenues from our brokerage and asset management businesses would be adversely affected. Volatile equity prices can also adversely affect our underwriting business, as our clients may choose to delay their offerings until market conditions become more favorable.

Interest Rate Environment

Our business is also affected by changes in interest rates and credit spreads. Changes in interest rates affect our results of operations and financial condition in different ways. First, the changes in interest rates affect the value of our financial assets. An increase in interest rates could cause a corresponding decline in the market value of fixed income products we invest in and adversely affect our average investment yield. Further, increasing interest rates could affect the profitability of our derivative financial instruments and hedging strategies depending on the long-short positions we take. Second, a rise in interest rates could lower our corporate clients' ability or willingness to access the debt capital markets, which could lower the revenue generated by our underwriting business. Third, increase in interest rates would also increase the amount of interest income we would earn on such interest-generating assets. Our interest-generating assets mainly include bank deposits, settlement deposits, refundable deposits, reverse repurchase agreements and margin loan and securities lending we provide to our customers. In November 2008, the PBOC reduced its benchmark interest rate from 0.72% to 0.36%, and raised it from 0.36% to 0.40% in February 2011.

Regulatory Conditions in China

While we are seeking to expand our business overseas, we currently derive the majority of our revenue from our operations in the PRC. Accordingly, our results of operations, financial condition and prospects are subject to regulatory developments in China as well as the economic measures undertaken by the PRC government. China's investment banking and securities industries are highly regulated. Many aspects of our business depend upon the receipt of the relevant government authority's approvals and permits. As China's regulatory regime and investment banking and securities industries develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially affect our business, financial condition or results of operations. For example, our securities lending services are currently limited by existing regulatory rules that limit us to lending the securities held in our own accounts, but we expect that our securities lending business could grow significantly if the PRC government approves the Centralised Securities Lending Exchange, which would allow us to act as an intermediary and lend securities held by other financial institutions.

Competition

We face competition in most of our business lines. We compete on the basis of a number of factors, including price, products and services, transaction execution, experience and knowledge of our staff, employee compensation and geographic scope. It is possible for our competitors to quickly adopt our business practices and set lower prices to compete with us. For example, in recent years, we have experienced intense price competition in the retail brokerage business, with considerable pressure on brokerage commissions.

Recent PRC regulations lifted restrictions on foreign investment banks entering China's capital markets. As a result, we believe that we will continue to experience strong competitive pressures in our traditional business lines in the future as domestic and international competitors seek to obtain market share. While we continue to see room for growth in China's capital markets, much of this growth is likely to happen in emerging and as yet untapped areas, such as prime services and market-making, instead of our traditional offerings such as retail brokerage, where competition has been intense.

Product Offerings

We are constantly seeking to expand our business lines and adjust our business strategies in the changing market, and offer a wide range of products in each of our business lines to a diverse mix of clients. We often offer new products and services and transact with individuals and institutions that are not within our traditional client and counterparty base, and are exposed to new asset classes and new markets. For example, we were among the first domestic investment banks to develop and participate in a variety of emerging markets in China, including underwriting for medium-term notes and commercial paper, issuances of stock warrants, trading of stock index futures and interest rate swaps, and providing prime services.

Our ability to successfully offer new products and services, to transact business with new clients and counterparties, to manage new asset classes and to engage in new markets not only affects our image and perception among clients, but also can have a significant effect on our financial condition and performance. Our future results of operations and financial condition will be influenced by our ability to design, develop and bring new products to market and to respond to changes in market trends and regulatory requirements rapidly and cost-efficiently.

Acquisitions, Strategic Alliances and Divestments

We have engaged in and intend to continue engaging in various acquisitions, joint ventures and other strategic alliances in order to expand our business and take advantage of market opportunities. Please see "History, Development and Corporate Structure" for a discussion of our acquisitions. The success of our strategy to expand through acquisitions or other strategic alliances is subject to a number of variables, such as: (i) our ability to identify suitable acquisition targets and complete acquisitions at commercially acceptable terms or prices, (ii) the availability, terms and costs of any financing required to fund acquisitions or complete expansion plans, (iii) required regulatory approvals and (iv) the ability to integrate the acquired businesses and capitalise on the expected synergies arising from the integration. In addition, our expansion plans may demand significant effort on the part of our management, which may divert their attention from our core business activities. Please see "Business — Strategies." On 13 July 2011, we entered into a sale and purchase agreement to acquire a 19.9% equity stake in each of CLSA and CA Cheuvreux, the two principal subsidiaries in CA-CIB's equity brokerage and derivatives division, for an aggregate purchase price of US$374 million in cash. The closing of the transaction is subject to regulatory approvals, union representative approvals and other conditions. Please see "Business — Minority Investments in CLSA and CA Cheuvreux" for additional information.

We may divest acquisitions as our strategic long-term goals evolve. In the fourth quarter of 2010, we divested a 53% equity interest in China Securities, a subsidiary in which we acquired a 60% equity interest in 2005. On 25 May 2011, we announced our proposed divestment of a 51% equity stake in China AMC. Acquisitions and subsequent divestitures may allow us to benefit from both operational synergies and subsequently from capital appreciation. Please see "— Impact of Divestments" below for more information.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies and estimates significant to the preparation of the Financial Information in accordance with IFRS. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies in note 3 of Section II, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items, which are discussed in note 4 in Section II of the Accountants' Report in Appendix I to this prospectus. Our estimates are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. The Company's management has identified below the accounting policies, estimates and judgments that they believe are most critical to the preparation of the Financial Information.

Revenue Recognition

We recognise revenue from our underwriting business when the outcome of the underwriting services provided can be reliably estimated and reasonably recognised. The revenue is usually recognised upon completion of the offering. We recognise revenue from our securities brokerage business on the date of the securities transaction. We recognise revenue from our asset management business according to the provisions of the applicable contract or the profit distribution plan for the relevant mutual fund. Interest income is recognised on an accrual basis using the effective interest method, by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset. Dividend income is recognised when the Group's right to receive payment has been established. Realised gain or loss on the sale of financial assets is recognised when the financial assets are sold, and unrealised fair value gain or loss of financial assets at fair value through profit or loss is recognised in the period in which they arise. We recognise revenue from our other businesses on the basis of when the contractual obligations are fulfilled and when the service commissions are actually received.

Financial Instruments

Recognition and Classification. We recognise a financial asset or a financial liability when we become a party to the contractual provisions of the instrument. We classify financial instruments we recognise as financial assets into the following four categories: (i) financial assets at fair value through profit or loss (including financial assets held for trading and financial assets designated at fair value through profit or loss), (ii) held-to-maturity investments, (iii) loans and receivables, or (iv) available-for-sale financial assets. We classify financial instruments we recognise as liabilities as either: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and financial liabilities designated at fair value through profit or loss) or (ii) other financial liabilities. Equity securities, funds and debt securities which are purchased for the purpose of selling in the near term are classified as financial assets held for trading. A financial instrument may be designated as a financial asset or financial liability at fair value through profit or loss upon initial recognition, if it meets any of the criteria set out below:

(i) It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the financial assets or financial liabilities or from recognising the gains and losses on them on different bases;

(ii) It applies to a group of financial assets, financial liabilities or both which is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and where information about that group of financial instruments is provided internally on that basis to key management personnel; or

(iii) The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As at 31 December 2010 and 31 March 2011, the Group has financial assets that are managed and their performance evaluated on a fair value basis, in accordance with documented risk management and investment strategies, and information about these financial assets is provided internally on that basis to the Group's key management personnel, and therefore these assets are designated at fair value through profit or loss.

Available-for-sale financial assets are non-derivative financial assets which are designated as such or are not classified in any of the other preceding categories. They include equity securities, funds, debt securities and securities acquired from underwriting activities. We classify available-for-sale financial assets that have a lock-up period of more than one year and long-term equity investments (excluding investments in associates and joint ventures) as non-current available-for-sale financial assets. All other available-for-sale financial assets are classified as current. For a more detailed discussion of these categories and our recognition and derecognition of financial assets and liabilities, please see note 3 in Section II of the Accountants' Report in Appendix I to this prospectus.

Determination of fair value. The fair value of a financial instrument traded in an active market is based on its quoted market price. We use valuation techniques to determine a financial instrument's fair value when there is no active market for the financial instrument or if there is sufficient evidence indicating that the quoted market price is not representative of the financial instrument's fair value. If there is no active market for a financial instrument and so no quoted market price, and the fair value cannot be determined by valuation techniques, then the financial instrument is measured at cost.

The valuation techniques used in determining fair value differ based upon the type of financial instrument. A detailed discussion of the valuation techniques applicable to different financial instruments can be found in note 3 in Section II of the Accountants' Report in Appendix I to this prospectus.

Impairment. Financial assets are generally tested for impairment except for those at fair value through profit and loss. Financial assets are tested for impairment at the end of each reporting period. Impairments on held-to-maturity financial investments and loans are accounted for using the discounted cash flow method, and determined based on the creditworthiness of the debtor. If the issuer or obligor of an available-for-sale financial asset has been experiencing significant financial difficulties, or it becomes probable that the borrower will enter bankruptcy or other financial reorganisation, and these events result in a prolonged decline in the fair value of an available-for-sale financial asset, and the decline is expected to be other than temporary, an available-for-sale financial asset is impaired and impairment loss is recognised. An individual available-for-sale financial asset is impaired and impairment loss is recognised when there has been a significant or prolonged decline in its fair value below its cost, the decline is other than temporary, and there will be no significant changes during the entire holding period.

Derivative Financial Instruments

A derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value. A derivative is carried as an asset when the fair value is positive and as a liability when the fair value is negative. Changes in the fair value of a derivative financial instrument are directly recorded in the income statement.

For plain vanilla derivative financial instruments, fair values are principally determined by valuation models that are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible. The fair value of exotic derivatives mainly comes from counterparty quotes.

Income Tax

Our income taxes consist of current tax and deferred income tax. Our current tax is based on our current taxable income, which is calculated according to applicable tax laws. We use the balance sheet liability method to calculate our deferred income tax. We measure the temporary difference between the carrying amount of an asset or liability on the balance sheet date and its tax base; we measure items that are not recognised as assets or liabilities in the same manner. We recognize taxable temporary differences as deferred income tax liabilities, except (i) when the deferred income tax liability results from the initial recognition of goodwill or of an asset or liability in a non-business combination transaction and does not affect accounting profit, taxable income or deductible expenses, or (ii) when the timing of the reversal of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures can be controlled and will likely not be reversed in the foreseeable future. We recognize deferred income tax assets for all deductible temporary differences and carryforwards of unused tax credits and losses to the extent that taxable profit will likely be available for their use, subject to certain exceptions.

We measure deferred income tax assets and liabilities at the tax rates that are expected to be applicable to the period when the asset is realised or the liability settled. We review the carrying amount of deferred income tax assets at the end of each reporting period and reduce it to the extent that it is unlikely that taxable income will be available for its use.

OVERALL RESULTS OF OPERATIONS

The following table sets forth selected consolidated income statement items for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Revenue					
Fee and commission income	13,358	18,151	16,598	3,690	2,475
Interest income	3,234	2,019	1,988	509	492
Investment income	3,109	3,428	11,501	442	844
Other income	135	270	194	49	35
Total revenue and other income	19,837	23,868	30,281	4,690	3,845
Operating Expenses					
Fee and commission expenses	560	1,232	1,740	454	287
Finance costs	1,528	618	685	162	134
Staff costs	3,715	5,169	6,981	1,123	993
Depreciation	193	228	240	64	41
Business tax and surcharges	785	1,034	962	182	157
Other operating expenses	2,786	2,703	3,360	649	484
Impairment losses	709	(315)	18	(9)	(3)
Total operating expenses	10,276	10,669	13,985	2,626	2,093
Operating profit	9,561	13,199	16,296	2,064	1,752
Share of profits and losses of:					
Associates	—	23	37	4	—
Jointly-controlled entities	1	80	(13)	(1)	25
Profit before income tax	9,561	13,302	16,320	2,067	1,777
Income tax expense	1,511	3,214	4,184	442	416
Profit for the year/period	8,050	10,088	12,136	1,626	1,361
Attributable to:					
Owners of the parent	7,305	8,984	11,311	1,499	1,357
Non-controlling interests	745	1,104	825	127	4

The following discussion describes and compares the major components of our results of operation for the three months ended 31 March 2010 and 2011, and for the years ended 31 December 2008, 2009 and 2010. In addition, we evaluate our financial results, particularly our revenue composition, through reporting segments. For a discussion of each of our segments, please see "— Segment Operating Results" below.

Revenue and Other Income

The following table sets forth the components of our revenue and other income for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Revenue					
Fee and commission income	13,358	18,151	16,598	3,690	2,475
Interest income	3,234	2,019	1,988	509	492
Investment income	3,109	3,428	11,501	442	844
Other income	135	270	194	49	35
Total revenue and other income	**19,837**	**23,868**	**30,281**	**4,690**	**3,845**

Our total revenue and other income are mainly comprised of fee and commission income earned from our investment banking, brokerage and asset management activities; interest income we earn from Brokerage Deposits, our own cash deposits and our securities lending and margin financing activities; investment income from our trading and market-making activities, our equity and fixed income securities, and from our other principal investment activities; and other income, such as rental income, gains on our disposal of fixed assets, and foreign exchange gain and loss. For the years ended 31 December 2008, 2009 and 2010, and for the three months ended 31 March 2011, our operations in Hong Kong contributed RMB447 million, RMB726 million, RMB977 million and RMB67 million to our total revenue and other income, which represented 2.3%, 3.0%, 3.2% and 1.7% of our total revenue and other income, respectively.

Comparison of three months ended 31 March 2010 and 2011. Our total revenue and other income decreased by 18.0% between the three months ended 31 March 2010 and the three months ended 31 March 2011, from RMB4,690 million to RMB3,845 million. This was primarily the result of a 32.9% decrease in fee and commission income, mostly due to our divestment of a 53% equity interest in our subsidiary China Securities, which was offset in part by a 91.0%, or RMB402 million, increase in investment income, largely in our Trading and Others segments, reflecting our exit from certain private equity and other investments. Without giving effect to the contribution of revenue and other income from China Securities for the three months ended 31 March 2010, we would have recorded a comparative increase of 15.6%, or RMB519 million, in total revenue and other income for the three months ended 31 March 2011. This increase would have been primarily due to the increase in our Others segment's investment income, as well as the increase in our Brokerage segment's interest income resulting from the increase of the PBOC benchmark interest rate, from 0.36% to 0.40%, in February 2011.

Comparison of 2008, 2009 and 2010. Our total revenue and other income increased by 26.9% from RMB23,868 million in 2009 to RMB30,281 million in 2010. The increase in revenue primarily reflected a RMB8,073 million increase in investment income, from RMB3,428 million in 2009 to RMB11,501 million in 2010, largely attributable to revenue in our Others segment from our divestment of a 53% equity interest in China Securities and revenue from our financial instruments in our Trading segment. This increase in investment income was partially offset by an 8.6% decrease in fee and commission income, from RMB18,151 million in 2009 to

RMB16,598 million in 2010, attributable to the effect of downward pricing pressure on commissions in our Brokerage segment.

Our 2009 total revenue and other income increased by 20.3% from RMB19,837 million in 2008 to RMB23,868 million in 2009. This increase primarily reflected a 35.9% increase in our fee and commission income, from RMB13,358 million in 2008 to RMB18,151 million in 2009, spread across all of our fee and commission earning segments, as well as an increase in our investment income of 10.3%, from RMB3,109 million in 2008 to RMB3,428 million in 2009, primarily in our Trading segment. These increases in fee and commission income and investment income were primarily due to improving economic conditions in 2009, but were partially offset by a 37.6% decrease in interest income, from RMB3,234 million in 2008 to RMB2,019 million in 2009. This decrease largely occurred in our Brokerage and Others segments, mainly due to the effects of a decrease in the PBOC benchmark interest rate from 0.72% to 0.36% in November 2008.

Fee and Commission Income

We earn fee and commission income in our Investment Banking segment by providing capital-raising and financial advisory services to our clients, and in our Brokerage segment by providing brokerage services for trading in equities, bonds, mutual funds, warrants, futures and other securities. We also earn fee and commission income in our Asset Management segment through the sponsorship and management of various investment funds and special accounts for our clients, and in our Others segment from our private equity and other investment activities.

Comparison of three months ended 31 March 2010 and 2011. Fee and commission income decreased by 32.9% from RMB3,690 million for the three months ended 31 March 2010 to RMB2,475 million for the three months ended 31 March 2011. The primary reason for this decrease was our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to consolidate China Securities' financial results, including its fee and commission income, with our financial statements. Excluding the contribution of fee and commission income from China Securities for the three months ended 31 March 2010, our fee and commission income for the three months ended 31 March 2011 would have decreased by 6.8%, or RMB182 million, during this period.

Comparison of 2008, 2009 and 2010. Our fee and commission income decreased by 8.6% in 2010, from RMB18,151 million in 2009 to RMB16,598 million. Fee and commission income in our Investment Banking and Asset Management segments increased in 2010. We lead-managed 112 offerings in 2010 with an aggregate underwritten amount of RMB254.1 billion, compared to 107 offerings in 2009 with an aggregate underwritten amount of RMB249.4 billion, and our asset management fee and commission income increased from RMB3,482 million in 2009 to RMB3,741 million in 2010 due to an increase in our average AUM in 2010. These increases in income helped mitigate our Brokerage segment's decrease in fee and commission income in 2010. While our brokerage market share (measured by combined trading turnover on the Shanghai Stock Exchange and the Shenzhen Stock Exchange) increased from 7.9% in 2009 to 8.6% in 2010 in the face of strong competition, the competitive environment caused market fee and commission rates to decrease, with our gross brokerage commission fee rates decreasing from 0.126% in 2009 to 0.098% in 2010. This decrease caused our brokerage fee and commission income to decrease from RMB11,948 million in 2009 to RMB9,447 million in 2010.

Our fee and commission income increased by 35.9% in 2009, from RMB13,358 million in 2008 to RMB18,151 million. This was primarily due to the recovery of China's capital markets in 2009 following the global economic crisis in 2008. Favourable market conditions, together with the PRC government's stimulus package and improved investor sentiment, supported the growth of our brokerage, investment banking, and asset management businesses in 2009. Brokerage trading turnover increased from RMB5,891 billion in 2008 to RMB9,965 billion in

2009, causing our Brokerage segment fee and commission income to increase from RMB7,989 million in 2008 to RMB11,948 million. We lead-managed 107 transactions in 2009 with an aggregate underwritten amount of RMB249.4 billion compared to 73 transactions in 2008 with an aggregate underwritten amount of RMB187.8 billion, and our asset management fee and commission income increased from RMB3,385 million in 2008 to RMB3,482 million in 2009, due to an increase in our average AUM in 2009.

Interest Income

The following table sets forth the components of our interest income for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Bank interest income	3,119	1,974	1,821	489	429
Interest income on margin and other financing	115	46	143	19	61
Others.	—	—	23	—	1
Total interest income	3,234	2,019	1,988	509	492

Our interest income is largely comprised of bank interest income. Bank interest income is comprised of the interest income we receive from Brokerage Deposits of our brokerage customers, as well as the interest income we receive from our own cash deposits. Interest income on margin and other financing represents the interest income we receive from our prime services, as well as our reverse repurchase transactions.

Comparison of three months ended 31 March 2010 and 2011. Our interest income for the three months ended 31 March 2011 decreased by 3.3%, from RMB509 million for the three months ended 31 March 2010 to RMB492 million for the three months ended 31 March 2011. Bank interest income for the three months ended 31 March 2011 decreased by 12.3%, or RMB60 million, compared to the three months ended 31 March 2010, primarily due to our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, after which we ceased to consolidate the Brokerage Deposits and related interest income we received from Brokerage Deposits of China Securities. Interest income on margin and other financing for the three months ended 31 March 2011 increased by 221.1%, or RMB42 million, compared to the three months ended 31 March 2010, as a result of the growth of our margin financing and securities lending business in China, which commenced in March 2010. Our total margin account balances increased from less than RMB1 million as at 31 March 2010 to RMB1,682 million as at 31 March 2011. Without giving effect to the contribution of China Securities for the three months ended 31 March 2010, we would have recorded an increase of 61.3%, or RMB187 million, in total interest income for the three months ended 31 March 2011. This increase would have been primarily due to the increase of the PBOC benchmark interest rate from 0.36% to 0.40% in February 2011.

Comparison of 2008, 2009 and 2010. Our interest income remained relatively stable between 2009 and 2010. Bank interest income decreased 7.8% from RMB1,974 million in 2009 to RMB1,821 million in 2010, primarily because of a decrease in average daily balances of our Brokerage Deposits. The decrease in bank interest income was offset by a 210.9% increase in our interest income on margin and other financing activities, from RMB46 million in 2009 to RMB143 million in 2010. This increase was driven by our commencement of margin financing and securities lending activities in China in March 2010.

Our interest income decreased 37.6% between 2008 and 2009, from RMB3,234 million in 2008 to RMB2,019 million in 2009. This decrease in interest income between 2008 and 2009 was largely due to a 36.7%

decrease in bank interest income, from RMB3,119 million in 2008 to RMB1,974 million in 2009. This decrease occurred because our brokerage customers withdrew Brokerage Deposits for various reasons during the capital markets recovery of 2009. Our bank interest income was also adversely affected by a decrease of the PBOC benchmark interest rate from 0.72% to 0.36% in November 2008. Our interest income on margin and other financing activities also decreased by 60.0%, from RMB115 million in 2008 to RMB46 million in 2009, largely due to a lower volume of reverse repurchase transactions.

Investment Income

The following table sets forth the components of our investment income for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
				(Unaudited)	
	(RMB in millions)				
Net gains from disposal of available-for-sale financial assets	1,531	1,720	2,693	213	725
Dividend income and interest income from available-for-sale financial assets	1,012	869	1,286	179	73
Net gains/(losses) from financial assets held for trading	307	831	972	42	(29)
Net gains/(losses) from financial assets designated at fair value through profit or loss	—	—	54	—	(4)
Gain on disposal of subsidiaries	—	4	5,765	—	—
Others	260	4	731	8	79
Total investment income	3,109	3,428	11,501	442	844

Gains from the disposition of available-for-sale financial assets represent investment returns on exits from our private equity investments and our other trading and market-making activities. Dividend income and interest income from available-for-sale financial assets are dividends we receive from our equity investments and interest we receive from fixed income products we hold as principal or as a market-maker. Gains from financial assets held for trading are gains we earn from trading or market-making in equity and fixed income products that we purchase for the purpose of sale in the near term, and the dividend income, interest income and fair value changes associated with such instruments. Gains from financial assets designated at fair value through profit or loss are gains we receive from the fair value changes of such financial assets. Gain on disposal of subsidiaries primarily consists of investment income from dispositions of our principal investments in our subsidiaries, including the divestment of our equity interests in China Securities. As a securities company, from time to time, we make private equity investments and other investments in our consolidated, associated or jointly-controlled companies. We believe that the acquisition and divestment of principal investments in consolidated, associated or jointly-controlled companies are part of our ordinary course of business activities and therefore gains on disposal of subsidiaries arising from such acquisitions and subsequent divestments are accounted for as investment income.

Comparison of three months ended 31 March 2010 and 2011. Our investment income for the three months ended 31 March 2011 was RMB844 million, an increase of 91.0% compared to the three months ended 31 March 2010, when investment income was RMB442 million. This increase was primarily a result of an increase in our net gains from disposal of available-for-sale financial assets of 240.4%, from RMB213 million for the three months ended 31 March 2010 to RMB725 million for the three months ended 31 March 2011, mainly due to our exit from certain private equity and other investments. Others investment income also increased from RMB8 million for the three months ended 31 March 2010 to RMB79 million for the three months ended 31 March 2011, as a result of our increasing leverage of derivative products, particularly stock index futures, to hedge against market risk exposure, which offset a RMB29 million loss from financial assets held for trading that was incurred in the course of our multi-strategy market-neutral trading activities. We recorded a decrease in dividend income and interest income from available-for-sale financial assets by 59.2%, from RMB179 million for the three months ended 31 March 2010 to RMB73 million for the three months ended 31 March 2011, as a result of our exiting certain private equity and other investments.

Comparison of 2008, 2009 and 2010. Our investment income increased in 2010 from RMB3,428 million in 2009 to RMB11,501 million in 2010, a 235.5% increase. This increase was primarily the result of an increase in our gain on disposal of subsidiaries when we divested 53% of the equity interests of China Securities. We also recorded increases in net gains from our disposal of available-for-sale financial assets, dividend income and interest income from available-for-sale financial assets, and other investment income. This was primarily because we increased our trading and market-making activities as the capital markets continued their recovery and our clients' trading needs grew, and was aided by the launch of stock index futures in China in March 2010, which allowed us to gradually expand our equity trading portfolio to focus more on multi-strategy market-neutral trading. Other investment income increased primarily because income from derivative financial assets and liabilities increased from RMB4 million in 2009 to RMB731 million in 2010, reflecting our increased leverage of derivative instruments, including stock index futures and interest rate swaps, to hedge our market risk exposure in 2010.

Our investment income increased by 10.3% in 2009 from RMB3,109 million in 2008 to RMB3,428 million in 2009. This increase was primarily a result of an increase in net gains from financial assets held for trading, which increased by 170.7% from RMB307 million in 2008 to RMB831 million in 2009, mainly due to the market recovery in 2009, during which we gradually increased our equity trading portfolio to balance our risk and return profile and capture market opportunities. That increase was offset by a 14.1% decrease in dividend income and interest income from available-for-sale financial assets due to changes in our investment portfolio, and a 98.5% decrease in other investment income due to fewer warrant transaction settlements in 2009.

Operating Expenses

The following table sets forth the components of our operating expenses for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Fee and commission expense	560	1,232	1,740	454	287
Finance costs	1,528	618	685	162	134
Staff costs	3,715	5,169	6,981	1,123	993
Depreciation	193	228	240	64	41
Business tax and surcharges	785	1,034	962	182	157
Other operating expenses	2,786	2,703	3,360	649	484
Impairment losses	709	(315)	18	(9)	(3)
Total	10,276	10,669	13,985	2,626	2,093

Expenses are primarily comprised of staff costs that include salaries, bonuses and other employee benefits; fee and commission expenses incurred in our Brokerage, Investment Banking and Asset Management segments; finance costs in the form of interest that we pay to our Brokerage Deposit holders, our bond holders and various other counterparties; business tax and surcharges; and other operating expenses. Other operating expenses are comprised of various operating expenses, including fund distribution and marketing expenses, lease payments, and securities investor protection fund expenses. Miscellaneous expenses include office expenditures and other administrative expenses. Please see note 10 in Section II of the Accountants' Report in Appendix I to this prospectus for more information about our other operating expenses.

Comparison of three months ended 31 March 2010 and 2011. Our expenses for the three months ended 31 March 2011 decreased by 20.3% from RMB2,626 million for the three months ended 31 March 2010 to RMB2,093 million. This decrease was primarily a result of decreases in our fee and commission expense, our staff costs and other operating expenses, which were largely due to the divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to consolidate China Securities' financial results, including operating expenses, with our financial statements.

Comparison of 2008, 2009 and 2010. Expenses increased by 31.1% from RMB10,669 million in 2009 to RMB13,985 million in 2010 primarily as a result of an increase in staff costs due to changes in our staffing structure and new hiring to continue expanding our business. We also experienced an increase in fee and commission expense due to increased brokerage trading turnover as well as an increase in trading frequency by our brokerage customers that led to higher costs for our brokerage business, and increased capital markets activities by our investment banking clients. Finance costs increased slightly while interest we paid to our brokerage clients remained relatively stable. Our other operating expenses increased between 2009 and 2010 primarily due to an increase in marketing costs, consulting fees, contributions to a mandatory PRC securities investor protection fund and business travel expenses.

Expenses increased by 3.8% in 2009, from RMB10,276 million in 2008 to RMB10,669 million primarily as a result of increased staff costs due to changes in our staffing structure and our hiring of new personnel to expand our business. Fee and commission expense also increased due to a greater overall level of client trading activity during the recovery of the capital markets in 2009. The increases were offset in part by a decrease in our finance costs, from RMB1,528 million in 2008 to RMB618 million in 2009, mainly due to the decrease in the PBOC benchmark interest rate in late 2008 from 0.72% to 0.36%, which lowered the amount of interest we paid to our brokerage customers in 2009. In 2009, we also reversed an impairment loss we recorded in 2008 on available-for-sale financial assets as a result of the sales of certain available-for-sale financial assets in 2009. Impairment losses were provided for certain available-for-sale financial assets in 2008 when China's equity market experienced a significant decline in value amid the backdrop of the global financial crisis.

We consider fee and commission expense, staff costs, and finance costs as the three principal components of our expenses and important variables affecting our financial results. The following discussion addresses these expenses.

Fee and Commission Expense

The following table sets forth our fee and commission expense for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Commission expenses	558	1,212	1,714	449	283
Others	2	19	26	6	5
Total	560	1,232	1,740	454	287

Our fee and commission expense is primarily incurred by our Brokerage, Investment Banking and Asset Management segments, and is mainly comprised of fees and commissions charged by exchanges, banks and other authorised institutions. Fee and commission expenses arising from our brokerage business accounted for more than 90% of total fee and commission expense, and amounted to RMB558 million, RMB1,151 million and RMB1,568 million for 2008, 2009 and 2010, respectively. Fee and commission expense accounted for 9.7% and 7.5% of our total revenue and other income for the three months ended 31 March 2010 and 2011, respectively, and 2.8%, 5.2% and 5.7% of our total revenue and other income for the years ended 31 December 2008, 2009, and 2010, respectively.

Comparison of three months ended 31 March 2010 and 2011. Fee and commission expense for the three months ended 31 March 2011 decreased by 36.8% from RMB454 million for the three months ended 31 March 2010 to RMB287 million. This decrease was primarily attributable to our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to consolidate China Securities' fee and commission expenses with our financial results.

Comparison of 2008, 2009 and 2010. Our fee and commission expense increased by 41.2% in 2010, from RMB1,232 million in 2009 to RMB1,740 million. The increase in fee and commission expense was primarily due to the increased volume and frequency of trading transactions of our brokerage customers, which led to higher commission expenses. Our brokerage business recorded a total trading turnover of RMB10,780 billion in 2010, compared to a total trading turnover of RMB9,965 billion in 2009.

Our fee and commission expense increased by 120.0% in 2009, from RMB560 million in 2008 to RMB1,232 million in 2009. This increase was due to the recovery of the capital markets in 2009 following the global economic crisis in 2008, which led to increased turnover and frequency of our customers' trading transactions and capital markets activity. Our brokerage business recorded a total trading turnover of RMB9,965 billion in 2009, compared to total trading turnover of RMB5,891 billion in 2008.

Staff Costs

The following table sets forth our staff costs for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Salaries and bonuses	3,384	4,743	6,354	990	849
Staff benefits	173	223	351	75	82
Contributions to defined contribution schemes	158	203	276	58	62
Total	3,715	5,169	6,981	1,123	993

We operate in an industry that is highly competitive, and we continuously seek to recruit, motivate and retain high-quality talent in order to compete effectively in our businesses and expand into new business areas. We devote a large portion of our resources to staff costs, which represented 23.9% and 25.8% as a percentage of our total revenue and other income for the three months ended 31 March 2010 and 2011, respectively, and 18.7%, 21.7% and 23.1% as a percentage of our total revenue and other income for the years ended 31 December 2008, 2009, and 2010, respectively, in order to remain competitive.

Comparison of three months ended 31 March 2010 and 2011. The primary component of our staff costs for the three months ended 31 March 2011 was salaries and bonuses. In the three months ended 31 March 2011, salaries and bonuses decreased by 14.2%, from RMB990 million for the three months ended 31 March 2010 to RMB849 million. This decrease was due to the deconsolidation of China Securities' staff costs from our financial statements, although this decrease was offset in part by increased staff costs across our business lines.

Comparison of 2008, 2009 and 2010. The primary component of our staff costs in 2010 was salaries and bonuses. In 2010, salaries and bonuses increased by 34.0%, from RMB4,743 million in 2009 to RMB6,354 million in 2010 due to additional new hires and increases in compensation resulting from changes in our staffing structure. The Group's staffing structure changed because we increased our hiring of front office employees and increased the proportion of our employees who possess advanced graduate degrees. Our employee headcount increased from 8,644 in 2009 to 13,517 in 2010, and the number of employees with advanced graduate degrees increased from 1,912 in 2009 to 2,622 in 2010. These increases in front office headcount and the qualifications of our employees correspondingly increased our staff costs. Staff benefits also increased by 57.4% in 2010, from RMB223 million in 2009 to RMB351 million in 2010, and contributions to defined contribution schemes also increased from RMB203 million in 2009 to RMB276 million in 2010, an increase of 36.0%, both of which were also due to new hires and changes in our staffing structure.

In 2009, salaries and bonuses increased by 40.2%, from RMB3,384 million in 2008 to RMB4,743 million due to additional new hires required for the expansion of our business and increases in compensation arising from changes in our staffing structure. Staff benefits and contributions to defined contribution schemes also increased from RMB173 million and RMB158 million in 2008 to RMB223 million and RMB203 million in 2009, respectively, for the same reasons.

Finance Costs

The following table sets forth our finance costs for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Accounts payable to clients	1,323	382	384	106	59
Due to banks and other financial institutions	120	163	233	40	59
Bonds issued	81	68	64	16	16
Others	5	5	4	1	—
Total	1,528	618	685	162	134

Our finance costs are comprised principally of accounts payable to clients, which are interest payments to customers on their Brokerage Deposits with us; payments due to banks and other financial institutions related to short-term interbank borrowings and payments in respect of repurchase agreements we enter into; and interest expense on our outstanding bonds. Finance costs represented 3.5% and 3.5% as a percentage of our total revenue and other income for the three months ended 31 March 2010 and 31 March 2011, respectively, and 7.7%, 2.6% and 2.3% as a percentage of our total revenue and other income for the years ended 31 December 2008, 2009, and 2010, respectively.

Comparison of three months ended 31 March 2010 and 2011. Our finance costs decreased by 17.3% between the three months ended 31 March 2010, when finance costs were RMB162 million, and the three months ended 31 March 2011, when finance costs were RMB134 million. This decrease was attributable to a 44.3% decrease in our accounts payable to clients, which decreased from RMB106 million for the three months ended 31 March 2010 to RMB59 million for the three months ended 31 March 2011. This was mainly due to the decrease in daily average Brokerage Deposit balances held by us. This decrease was partly offset by an increase in finance costs due to banks and other financial institutions, which increased from RMB40 million for the three months ended 31 March 2010 to RMB59 million for the three months ended 31 March 2011, a 47.5% increase. This increase was mainly due to our increased use of repurchase agreements as a component of our liquidity management.

Comparison of 2008, 2009 and 2010. Finance costs due to banks and other financial institutions increased 42.9%, from RMB163 million in 2009 to RMB233 million in 2010, mainly due to our increased use of repurchase agreements as a component of our liquidity management. Finance costs from our bonds issued decreased 5.9% from RMB68 million in 2009 to RMB64 million in 2010, due to certain of our bonds coming due and being paid in full in 2009. Accounts payable to clients remained relatively constant in 2009 and 2010.

In 2009, finance costs decreased by 59.6% from RMB1,528 million in 2008 to RMB618 million. Our accounts payable to clients decreased by 71.1%, from RMB1,323 million in 2008 to RMB382 million in 2009. This was partially due to a lower PBOC benchmark interest rate in 2009, and a higher amount of average daily Brokerage Deposits and correspondingly higher amount of interest payable to our brokerage customers. Finance costs due to banks and other financial institutions increased by 35.8% in 2009 to RMB163 million from RMB120 million in 2008 as a result of our increased use of repurchase agreements as a component of our liquidity management. Finance costs for our outstanding bonds decreased by 16.0% in 2009 from RMB81 million in 2008 to RMB68 million due to the repayment in full in 2009 of our bonds maturing in 2009.

Profit before Income Tax

Profit before income tax is derived by adding or deducting our share of profits or losses from associates and jointly-controlled entities from our operating profit. Please see note 10 in Section II of the Accountants' Report in Appendix I for more information.

Comparison of three months ended 31 March 2010 and 2011. For the three months ended 31 March 2011, our profit before income tax was RMB1,777 million, compared to RMB2,067 million for the three months ended 31 March 2010, a decrease of 14.0%. This decrease was primarily due to the deconsolidation of China Securities' financial results caused by our divestment of its equity interests in the fourth quarter of 2010. Our share of profits and losses of associates and jointly-controlled entities for the three months ended 31 March 2011 was a profit of RMB25 million, an increase from the three months ended 31 March 2010, when our share was a net gain of RMB3 million, primarily due to the favourable operating performance of our jointly-controlled entities.

Comparison of 2008, 2009 and 2010. In 2010, our profit before income tax was RMB16,320 million, an increase of 22.7% from 2009, when profit before income tax was RMB13,302 million. This was largely due to the gains from our divestment of a majority of our equity interests in China Securities in the fourth quarter of 2010. Our share of profits and losses of associates and jointly-controlled entities for 2010 was a profit of RMB24 million, a 76.7% decrease from 2009, when we recorded a profit of RMB103 million. Although our share of profits of associates increased in 2010, this was offset by our share of losses of jointly-controlled entities.

In 2009, our profit before income tax was RMB13,302 million, an increase of 39.1% from 2008, when profit before income tax was RMB9,561 million. This increase in profit before income tax was largely due to the recovery in the financial markets that took place in 2009 after the global economic crisis in 2008. As a result, we experienced an increase in revenue generated by increased business activity. At the same time, our staff costs increased but this was offset due to a reduction in our finance costs and a reversal of our impairment losses in 2009. Our share of profits and losses of associates and jointly-controlled entities for 2009 was a profit of RMB103 million, an increase from our share for 2008, when we had a profit of RMB1 million, mainly due to the operating performance of our jointly-controlled entities.

Income Tax Expense

The PRC statutory corporate income tax rate is 25%, and our income tax rates in various regions in the PRC and in other jurisdictions vary. We have benefited from a preferential income tax rate in Shenzhen (the "Shenzhen tax preference"), where our headquarters and a number of branches are located. The Shenzhen tax preference has helped reduce our effective PRC corporate income tax rate, but our tax benefit under the Shenzhen tax preference declines each year and as a consequence, our effective income tax rate has increased in each of the last three fiscal years. The Shenzhen tax preference will expire at the end of 2011, after which we anticipate that we will be effectively taxed at the prevailing PRC statutory corporate income tax rate.

Comparison of three months ended 31 March 2010 and 2011. Our income tax expense decreased 5.9% from RMB442 million for the three months ended 31 March 2010 compared to RMB416 million for the three months ended 31 March 2011. Our effective income tax rate was 23.4% for the three months ended 31 March 2011, compared to our effective income tax rate of 21.4% for the three months ended 31 March 2010. This was primarily due to the decreased benefit from the Shenzhen tax preference.

Comparison of 2008, 2009 and 2010. In 2010, our income tax expense increased by 30.2% from RMB3,214 million in 2009 to RMB4,184 million. Our effective income tax rate in 2010 was 25.6%, compared to our effective income tax rate of 24.2% in 2009. This reflected the reduced benefit from the Shenzhen tax preference.

Our tax expense increased by 112.7% in 2009 to RMB3,214 million from RMB1,511 million in 2008. Our effective income tax rate in 2009 was 24.2%, compared to our effective income tax rate of 15.8% in 2008. This was partly due to the decreased benefit from the Shenzhen tax preference, as well as adjustments for current and deferred income tax.

Profit for the Year/Period

The following table sets forth our profit for the year/period for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
				(Unaudited)	
	(RMB in millions)				
Attributable to:					
Owners of the parent	7,305	8,984	11,311	1,499	1,357
Non-controlling interests	745	1,104	825	127	4
Total	8,050	10,088	12,136	1,626	1,361

Comparison of three months ended 31 March 2010 and 2011. Our profit for the three months ended 31 March 2011 was RMB1,361 million, a decrease of 16.3% from our profit for the three months ended 31 March 2010 of RMB1,626 million. This was primarily caused by the decrease in our revenue resulting from our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010. Profit attributable to owners of the parent for the three months ended 31 March 2011 decreased 9.5% to RMB1,357 million from our profit attributable to owners of the parent of RMB1,499 million for the three months ended 31 March 2010.

Comparison of 2008, 2009 and 2010. Profit for the year increased by 20.3% in 2010 to RMB12,136 million from RMB10,088 million in 2009. The increase in profit for the year in 2010 was primarily the result of gains from the divestment of our equity interests in China Securities. Our profit for the year attributable to owners of the parent increased by 25.9% to RMB11,311 million in 2010 from RMB8,984 million in 2009. Our profit for the year attributable to non-controlling interests decreased by 25.3%, from RMB1,104 million in 2009 to RMB825 million in 2010. This was due to a decline in the performance and profits of some of our partially-owned subsidiaries, especially China Securities, and a corresponding decrease in profits allocated to their minority shareholders.

In 2009, our profit for the year increased by 25.3% from RMB8,050 million in 2008 to RMB10,088 million. The increase in 2009 was primarily attributable to higher revenue. Our profit attributable to owners of the parent in 2009 increased 23.0%, from RMB7,305 million in 2008 to RMB8,984 million in 2009. Our profit attributable to non-controlling interests in 2009 was RMB1,104 million, a 48.2% increase from our profit attributable to non-controlling interests in 2008, which was RMB745 million. This was due to the improved performance and profits of some of our partially-owned subsidiaries, especially China Securities, and a corresponding increase in profits allocated to their minority shareholders.

SEGMENT OPERATING RESULTS

The following tables set forth the revenue and other income and profit before income tax of each of our segments, and the percentage contribution of each of our segments to our consolidated revenue and other income and profit before income tax for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2008		2009		2010		2010		2011	
							(Unaudited)			
	(RMB in millions except percentages)									
		%		%		%		%		%
Investment Banking										
Segment revenue and other income	1,959	9.9	2,637	11.0	3,290	10.9	365	7.8	278	7.2
Profit before income tax	919	9.6	1,305	9.8	1,134	6.9	101	4.9	86	4.8
Brokerage										
Segment revenue and other income	10,698	53.9	13,654	57.2	11,046	36.5	2,749	58.6	1,667	43.4
Profit before income tax	5,391	56.4	7,794	58.6	4,925	30.2	1,142	55.2	805	45.3
Trading										
Segment revenue and other income	2,697	13.6	3,407	14.3	5,226	17.3	416	8.9	767	19.9
Profit before income tax	1,181	12.4	2,269	17.1	2,404	14.7	200	9.7	326	18.3
Asset Management										
Segment revenue and other income	3,844	19.4	3,765	15.8	4,040	13.3	1,067	22.8	841	21.9
Profit before income tax	1,715	17.9	1,694	12.7	1,358	8.3	570	27.6	298	16.8
Others										
Segment revenue and other income	640	3.2	405	1.7	6,680	22.1	93	2.0	291	7.6
Profit before income tax	356	3.7	240	1.8	6,499	39.8	55	2.7	262	14.7

Please see note 7 in Section II of the Accountants' Report set forth in Appendix I to this prospectus for additional information concerning our segment information.

The following discussion describes and compares each of our five segments' revenue and other income, operating expenses and profit before income tax for the periods presented.

Investment Banking

The following table sets forth selected information concerning our Investment Banking segment for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Segment revenue and other income	1,959	2,637	3,290	365	278
Fee and commission income	1,959	2,645	3,287	365	278
Interest income	—	—	—	—	—
Investment income	—	(8)	3	—	—
Other income	—	—	—	—	—
Operating expenses	1,040	1,331	2,156	264	193
Profit before income tax	919	1,305	1,134	101	86

We provide capital-raising and financial advisory services to a diverse group of corporate and other institutional clients in China and around the world. We earn fee and commission income by providing capital-raising services for our clients, including through IPOs, follow-on offerings and fixed income product or debt offerings, and we also receive fee income from financial advisory services we provide to our clients. We also derive a small portion of revenue from interest income, investment income and other income from our investment banking business in Hong Kong. Our Investment Banking segment contributed 9.9%, 11.0% and 10.9% of our total revenue and other income and 9.6%, 9.8% and 6.9% of our total profit before income tax in 2008, 2009 and 2010, respectively. Our Investment Banking segment also contributed 7.8% and 7.2% of our total revenue and other income and 4.9% and 4.8% of our total profit before income tax for the three months ended 31 March 2010 and 2011, respectively.

Segment revenue and other income

Segment revenue and other income from our Investment Banking segment consists primarily of underwriting and advisory fees we receive from our investment banking activities. We generally recognize fee and commission income in our Investment Banking segment only upon completion of a project.

Comparison of three months ended 31 March 2010 and 2011. Segment revenue and other income decreased by 23.8% in the three months ended 31 March 2011 compared to the three months ended 31 March 2010, from RMB365 million to RMB278 million. We completed more projects in the three months ended 31 March 2010 and thus recognized more in fee and commission income in the three months ended 31 March 2010 than in the three months ended 31 March 2011.

Comparison of 2008, 2009 and 2010. Segment revenue and other income increased by 24.8% in 2010, from RMB2,637 million in 2009 to RMB3,290 million. The increase in 2010 primarily reflects the diminished effects of the global economic crisis in 2008 and the economic recovery in 2010, which led to increased fee and commission revenue generated by our clients' increased capital markets financing activities to fund their growth. In 2010, we underwrote a total of RMB137.5 billion in equity and equity-linked offerings, an increase of 69.3% from RMB81.2 billion in 2009. Some of our notable transactions in this period included the IPO of Agricultural Bank of China, and rights issuances for the PRC's four largest banks: Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Bank of Communications. In addition, the SME Board and ChiNext Board continued to develop in 2010, and we continued to further develop and increase our underwriting activities on these exchanges. As the commission rates charged for capital-raising transactions on the SME Board and ChiNext Board are comparatively high, we were able to earn relatively higher revenue from these underwriting activities. Our increase in fee and commission income from equity offerings was able to offset a slight reduction in fee and commission income from debt offerings, caused by a decrease in our total amount of underwritten debt offerings in 2010, from RMB168.1 billion in 2009 to RMB116.7 billion, a decrease of 30.6%. Segment revenue and other income generated by interest income, investment income or other income in our Investment Banking segment were relatively unchanged between 2009 and 2010.

Segment revenue and other income increased by 34.6% from RMB1,959 million in 2008 to RMB2,637 million in 2009. In 2009, we underwrote RMB81.2 billion in equity and equity-linked offerings and RMB168.1 billion in debt offerings, a 25.9% and 36.3% increase from RMB64.5 billion and RMB123.3 billion in 2008, respectively. These increases were attributable to a higher number of equity offerings being approved by the CSRC in 2009 compared to 2008, as well as the recovery of the financial markets in 2009, which led to increased capital markets activity and thus increased fee and commission income for our Investment Banking segment.

Segment revenue and other income from interest income, investment income and other income largely remained unchanged between 2008 and 2009.

Operating expenses

Operating expenses from our Investment Banking segment primarily include ordinary operating expenses, such as employees' salaries and bonuses, as well as our underwriting expenses and fee and commission expenses that we incur in connection with our underwriting and other investment banking activities. While our Investment Banking segment has experienced increased revenue for the past three years, our operating expenses for this segment, in particular staff costs, have also increased over the same period.

Comparison of three months ended 31 March 2010 and 2011. Operating expenses decreased by 26.9% between the three months ended 31 March 2010, when operating expenses were RMB264 million, and the three months ended 31 March 2011, when operating expenses were RMB193 million. The decrease was largely attributable to our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to consolidate the operating expenses of China Securities' investment banking activities.

Comparison of 2008, 2009 and 2010. Operating expenses increased by 62.0% from RMB1,331 million in 2009 to RMB2,156 million in 2010, and was largely driven by increased staff costs due to increased hiring. As at 31 December 2010, we had 891 employees in our Investment Banking segment compared to 724 employees as at 31 December 2009, an increase of 23.1%. Operating expenses also increased due to our increase in underwriting and advisory activities caused by the recovery in the financial markets. In addition, our expenditure on business development increased as we sought to develop new products, increase our market share and strengthen our project pipelines, which increased our product development, marketing and business travel expenses.

In 2009, operating expenses increased to RMB1,331 million from RMB1,040 million in 2008, an increase of 28.0%. The increase was primarily the result of increased staff costs due to increased hiring. As at 31 December 2009, we had 724 employees in our Investment Banking segment compared to 648 employees as at 31 December 2008, an increase of 11.7%. Operating expenses also increased due to the increase in underwriting and advisory activities in 2009.

Profit before income tax

Comparison of three months ended 31 March 2010 and 2011. Profit before income tax decreased by 14.9% between the three months ended 31 March 2010, when profit before income tax was RMB101 million, and the three months ended 31 March 2011, when profit before income tax was RMB86 million. This decrease was attributable to fewer completed projects and thus lower revenue for the three months ended 31 March 2011. We consider the lower number of completed projects in the three months ended 31 March 2011 to be within the range of ordinary course of business deal flow variability.

Comparison of 2008, 2009 and 2010. Profit before income tax decreased by 13.1% from RMB1,305 million in 2009 to RMB1,134 million in 2010. The decrease in 2010 was primarily due to the fact that while we experienced a significant increase in revenue, our operating expenses, particularly staff costs, rose faster than our revenue and led to a decline in our profit before income tax over the same period.

Profit before income tax in 2009 increased by 42.0% from RMB919 million in 2008 to RMB1,305 million. This was primarily attributable to increased revenue stemming from the recovery in the financial markets.

Brokerage

The following table sets forth selected information concerning our Brokerage segment for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Segment revenue and other income	10,698	13,654	11,046	2,749	1,667
Fee and commission income	7,989	11,948	9,447	2,345	1,342
Interest income	2,643	1,639	1,540	396	307
Investment income	3	9	—	—	13
Other income	63	57	58	8	5
Operating expenses	5,308	5,860	6,121	1,607	862
Profit before income tax	5,391	7,794	4,925	1,142	805

We provide brokerage services to our customers for trading in equities, bonds, mutual funds, warrants, futures and other securities. We generate commissions from executing and clearing our clients' orders. Our Brokerage segment also effectuates open market trades for our other segments. Our Brokerage segment contributed 53.9%, 57.2% and 36.5% of total revenue and other income and 56.4%, 58.6% and 30.2% of profit before income tax for 2008, 2009 and 2010, respectively. Our Brokerage segment also contributed 58.6% and 43.4% of total revenue and other income and 55.2% and 45.3% of our total profit before income tax for the three months ended 31 March 2010 and 2011, respectively.

Segment revenue and other income

Segment revenue and other income from our Brokerage segment primarily includes commissions as well as interest income from Brokerage Deposits. In the normal course of our brokerage business, we hold cash on behalf of our customers, which we deposit in segregated trust accounts with qualified commercial banks. We are obligated to pay our brokerage customers interest on these Brokerage Deposits until they are withdrawn by our customers for various purposes, including their capital market investments. The interest paid by the qualified commercial banks where we deposit these Brokerage Deposits exceeds the interest that we are required to pay to our customers. Interest income earned on Brokerage Deposits is subject to interest rate fluctuations.

Comparison of three months ended 31 March 2010 and 2011. Segment revenue and other income decreased by 39.4% between the three months ended 31 March 2010, when revenue was RMB2,749 million, and the three months ended 31 March 2011, when revenue was RMB1,667 million. This decrease was primarily attributable to our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to report China Securities' brokerage revenue under our Brokerage segment. The divestment of China Securities impacted our Brokerage segment's financial results as China Securities was one of our primary brokerage subsidiaries. Excluding China Securities' revenue and other income for the three months ended 31 March 2010, our Brokerage segment's revenue and other income for the three months ended 31 March 2011 would have increased by approximately 4.1%, or RMB65 million, compared to the three months ended 31 March 2010.

Comparison of 2008, 2009 and 2010. Segment revenue and other income decreased by 19.1% in 2010, from RMB13,654 million in 2009 to RMB11,046 million. The decrease in 2010 from 2009 primarily reflects downward competitive pricing pressures that caused a decrease in brokerage fee rates in 2010. We experienced greater customer activity and increased our market share based on trading turnover from 7.9% in 2009 to 8.6% in 2010, but our fee and commission income decreased 20.9% to RMB9,447 million, from RMB11,948 million in 2009, due to significant price competition. Interest income also decreased, from RMB1,639 million in 2009 to RMB1,540 million in 2010, a decrease of 6.0%. This was largely due to a decrease in the average daily balances of our Brokerage Deposits. In 2010, we launched our margin financing and index futures brokerage services in the PRC and made these services available to our brokerage customers. These value-added services provided new sources of fee and commission income in the PRC for which we were able to charge higher commission rates. As these services are relatively new in the PRC, the revenue earned from these services was relatively low in 2010.

Segment revenue and other income in 2009 was RMB13,654 million, and increased by 27.6% from RMB10,698 million in 2008. The increase in 2009 from 2008 was primarily attributable to increased fee and commission income as a result of the strong recovery in the PRC financial markets after the global economic crisis in 2008. Fee and commission income increased by 49.6%, from RMB7,989 million in 2008 to RMB11,948 million in 2009, due to our customers' increased market activities and demand for investments. This helped offset a 38.0% decrease in our interest income, from RMB2,643 million in 2008 to RMB1,639 million in 2009, which was caused by both a decrease in average daily Brokerage Deposits due to our brokerage customers' increased investing activities as well as a reduction of the PBOC benchmark interest rate in late 2008 from 0.72% to 0.36%.

Operating expenses

Operating expenses from our Brokerage segment consist mainly of branch expenses such as property and building rental costs, salaries and bonuses (including commissions on trades), interest expense, brokerage handling fee expenses, and information technology-related expenses. Interest expense is the interest we pay to our brokerage customers on Brokerage Deposits. Brokerage handling fee expenses incurred by us arise primarily in the course of effecting brokerage trades on behalf of our customers and consist mostly of levies from various intermediaries such as stock exchanges.

Comparison of three months ended 31 March 2010 and 2011. Operating expenses decreased by 46.4% between the three months ended 31 March 2010, when operating expenses were RMB1,607 million, and the three months ended 31 March 2011, when operating expenses were RMB862 million. This decrease in operating expenses was largely due to our divestment of a 53% equity interest in China Securities in the fourth quarter of 2010, following which we ceased to consolidate China Securities' brokerage operating expenses under our Brokerage segment.

Comparison of 2008, 2009 and 2010. Operating expenses increased by 4.5% from RMB5,860 million in 2009 to RMB6,121 million in 2010. The increase was primarily the result of expansion and upgrading of our branch network, and increased staff hiring and staff costs. We increased our employee headcount in our Brokerage segment from 7,080 employees in 2009 to 11,540 employees in 2010 in order to capture additional market share during the financial markets' recovery. In 2010, we also undertook a number of efforts to remain highly competitive in the industry, including improvement of our marketing systems and marketing activities, developing new customer products and customer advisory systems, and launching our initiative to seek out high-net-worth customers. These efforts to develop and improve our operations also contributed to higher operating expenses in 2010 compared to 2009.

In 2009, operating expenses, including finance costs and impairment losses, increased by 10.4% from RMB5,308 million in 2008 to RMB5,860 million. The increase was driven by increased fee and commission expense due to our customers' increased activities as the financial markets recovered, as well as increases in our other operating expenses due to our opening of additional brokerage branches. These increases were partially offset by a decline in our finance costs from RMB1,323 million in 2008 to RMB382 million in 2009, resulting from the reduction in the PBOC benchmark interest rate in late 2008, as well as a decrease in average daily Brokerage Deposits due to our brokerage customers' withdrawals for various purposes, including their investments in China's capital markets.

Profit before income tax

Comparison of three months ended 31 March 2010 and 2011. Profit before income tax decreased by 29.5% between the three months ended 31 March 2010, when profit before income tax was RMB1,142 million, and the three months ended 31 March 2011, when profit before income tax was RMB805 million. This decrease was primarily due to decreases in fee and commission income and interest income.

Comparison of 2008, 2009 and 2010. Profit before income tax decreased by 36.8% from RMB7,794 million in 2009 to RMB4,925 million in 2010. The decrease in 2010 was due to a combination of both lower revenue due to price competition and higher expenses as we expanded to capture greater market share.

Profit before income tax in 2009 increased by 44.6%, from RMB5,391 million in 2008 to RMB7,794 million, and was primarily attributable to the growth in revenue, which outpaced our increase in operating expenses.

Trading

The following table sets forth selected information concerning our Trading segment for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Segment revenue and other income	2,697	3,407	5,226	416	767
Fee and commission income	—	—	—	—	—
Interest income	223	293	286	79	175
Investment income	2,470	3,084	4,940	337	582
Other income	4	30	—	—	10
Operating expenses	1,516	1,139	2,822	216	442
Profit before income tax	1,181	2,269	2,404	200	326

We conduct trading and financing activities as a principal or as a market-maker for our institutional and retail clients. We derive investment income from trading and market-making for a wide variety of products, including equities and equity-linked products, bonds, swaps, futures and other derivatives, and from dividend and interest payments on available-for-sale financial assets, and we generate interest income from our prime services such as margin financing.

Segment revenue and other income

Segment revenue and other income for our Trading segment is comprised of investment income, interest income and other income from our trading and market-making activities for equity, fixed income and derivative securities. We engage in market-making activities for our clients and facilitate market liquidity for their securities. For example, we may execute block trades for our clients, make markets for fixed income products, and broker transactions between sellers and buyers of illiquid assets. Investment income primarily consists of gains from such market-making activities, and from other trading of available-for-sale financial assets, financial assets held for trading and financial assets designated at fair value through profit or loss. Investment income also includes dividend income and interest income from available-for-sale financial assets. Interest income in our Trading segment primarily consists of bank interest income generated from the bank deposits owned by us and interest income generated from prime services such as margin financing and securities lending. Other income is mainly from gains (losses) on foreign exchange. Gains on disposal of financial assets and from changes in the fair market value of financial instruments are highly dependent on the capital markets in which we operate, while interest income is subject to changes in interest rates. Our Trading segment contributed 13.6%, 14.3% and 17.3% of our total revenue and other income and 12.4%, 17.1% and 14.7% of our profit before income tax in 2008, 2009 and 2010, respectively. Our Trading segment also contributed 8.9% and 19.9% of our total revenue and other income and 9.7% and 18.3% of our profit before income tax for the three months ended 31 March 2010 and 31 March 2011, respectively.

Comparison of three months ended 31 March 2010 and 2011. Segment revenue and other income increased by 84.4% between the three months ended 31 March 2010, when revenue was RMB416 million, and the three months ended 31 March 2011, when revenue was RMB767 million. This increase was primarily attributable to a 72.7% increase in investment income between the three months ended 31 March 2010, when investment income was RMB337 million, and the three months ended 31 March 2011, when investment income was RMB582 million. The increase in investment income was mainly because of our increased multi-strategy market-neutral trading and market-making activities. Interest income also increased by 121.5%, from RMB79 million for the three months ended 31 March 2010 to RMB175 million for the three months ended 31 March 2011. This increase in interest income was largely due to the increase in the PBOC benchmark interest rate in February 2011 and the increase in interest income caused by the growth of our prime services business in the PRC.

Comparison of 2008, 2009 and 2010. Segment revenue and other income increased by 53.4% from RMB3,407 million in 2009 to RMB5,226 million in 2010. This increase was primarily due to both our expansion of our activities in our Trading segment and the improved economic conditions and corresponding market activity for the period. Most of the revenues in our Trading segment came from investment income, which increased 60.2%, from RMB3,084 million in 2009 to RMB4,940 million in 2010. This increase in investment income largely reflected increased profits from our disposition of, and dividend income and interest income from, available-for-sale financial assets which was caused by favourable financial market conditions, enhancements to our trading and market-making strategies, improved trading scale, and the launch of our stock index futures trading business. In particular, we increased our equity positions in available-for-sale financial assets, which increased from RMB18,810 million in 2009 to RMB28,210 million in 2010, largely as a consequence of our hedging and market-neutral strategies. Our hedging strategies using these increased equity positions helped provide a relatively stable source of investment income in 2010.

Segment revenue and other income increased by 26.3% from RMB2,697 million in 2008 to RMB3,407 million in 2009, mainly due to the increase in gains from disposal of available-for-sale financial assets as well as an increase in gains from financial assets held for trading. These increased gains resulted from our expansion of our trading activities in this segment and the improved economic conditions and corresponding market activity for the period. As an example, we strategically allocated capital from fixed income positions to equity positions to capture market opportunities and balance our risk and return portfolio in 2009, when China's capital markets began to recover after the financial crisis in 2008, and were rewarded by the improved market returns, as reflected in our increased investment income.

Operating expenses

Operating expenses from our Trading segment arise primarily from salaries and bonuses, recognised impairment and other operating expenses, including finance costs due to banks and other financial institutions.

Comparison of three months ended 31 March 2010 and 2011. Operating expenses increased by 104.6% between the three months ended 31 March 2010, when operating expenses were RMB216 million and the three months ended 31 March 2011, when operating expenses were RMB442 million. This increase was largely attributable to the increased volume of business activity in our Trading segment for the three months ended 31 March 2011. In addition, there was a 33.9% increase in finance costs between the three months ended 31 March 2010, when finance costs were RMB56 million, and the three months ended 31 March 2011, when finance costs were RMB75 million. The increase in finance costs was due to our increased use of repurchase agreements to manage liquidity, which as a result increased our interest expenses.

Comparison of 2008, 2009 and 2010. Operating expenses increased by 147.8% from RMB1,139 million in 2009 to RMB2,822 million in 2010. The increase was primarily the result of a higher overall level of trading and market-making activities driven by our clients' financial needs, increased finance cost and staff costs, as well as the expenses associated with the expansion of our trading business in 2010. We also had increased finance costs in 2010 of RMB297 million, compared to RMB231 million in 2009, which was caused by an increase in our use of repurchase agreements, which increased our interest costs. In 2010, we recorded no impairment loss, compared to a reversal of impairment losses of RMB300 million in 2009.

Operating expenses in 2009 decreased by 24.9%, from RMB1,516 million in 2008 to RMB1,139 million. We had an impairment loss reversal of RMB300 million in 2009 compared to an impairment loss of RMB377 million in 2008. The impairment loss reversal in 2009 was caused by our disposition of certain available-for-sale financial assets, for which we recorded impairment losses in 2008, during the market recovery in 2009.

Profit before income tax

Comparison of three months ended 31 March 2010 and 2011. Profit before income tax increased by 63.0% between the three months ended 31 March 2010, when profit before income tax was RMB200 million, and the three months ended 31 March 2011, when profit before income tax was RMB326 million. This increase was due to our increased revenue during the three months ended 31 March 2011.

Comparison of 2008, 2009 and 2010. Profit before income tax increased by 5.9% from RMB2,269 million in 2009 to RMB2,404 million in 2010. The increase in 2010 was primarily the result of higher revenue from our increased activities in this segment and the improved market conditions for the period.

Profit before income tax in 2009 increased by 92.1% from RMB1,181 million in 2008 to RMB2,269 million. This was primarily attributable to increased revenue from our increased activities in this segment and the improved market activity for the period, and also reflects the impact of changes in our impairment loss provisions.

Asset Management

The following table sets forth selected information concerning our Asset Management segment for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Segment revenue and other income	3,844	3,765	4,040	1,067	841
Fee and commission income	3,385	3,482	3,741	955	826
Interest income	16	19	24	4	3
Investment income	439	155	226	94	3
Other income	3	109	49	14	9
Operating expenses	2,129	2,071	2,682	497	543
Profit before income tax	1,715	1,694	1,358	570	298

In our Asset Management segment, we sponsor and manage investment funds, investment vehicles or special accounts for our corporate, institutional and high-net-worth clients seeking investment exposure to the capital markets as well as private equity and alternative investment opportunities in China and globally. We conduct our asset management business at our holding company level and through our subsidiaries, including China AMC and CSI. We provide fund management and advisory services to help clients preserve and grow their financial assets. Through CSI in Hong Kong, we manage a variety of asset management products, including hedge funds and mutual funds. Our Asset Management segment contributed 19.4%, 15.8% and 13.3% of our consolidated total revenue and other income and 17.9%, 12.7% and 8.3% of our profit before income tax in 2008, 2009 and 2010, respectively. Our Asset Management segment also contributed 22.8% and 21.9% of total revenue and other income and 27.6% and 16.8% of our total profit before income tax for the three months ended 31 March 2010 and 2011, respectively.

Segment revenue and other income

Segment revenue and other income from our Asset Management segment primarily results from management and advisory fees we receive for managing investment funds, annuity plans, special accounts, investment vehicles and investment accounts for our clients. It also includes revenue from the sale of funds and interest income. Our Asset Management segment's revenue and other income is largely affected by market conditions and the scope and amount of the financial management products that we are able to offer. As we announced on 25 May 2011, we intend to divest a 51% equity stake in our wholly-owned subsidiary China AMC which we expect will impact our asset management revenue from this segment. Please see "— Impact of Divestments."

Comparison of three months ended 31 March 2010 and 2011. Segment revenue and other income decreased by 21.2% between the three months ended 31 March 2010, when segment revenue and other income was RMB1,067 million, and the three months ended 31 March 2011, when revenue and other income was RMB841 million. This decrease was primarily attributable to a 13.5% decrease in fee and commission income from RMB955 million for the three months ended 31 March 2010 to RMB826 million for the three months ended 31 March 2011. This was largely caused by a decrease of the average AUM of China AMC, our wholly-owned asset management subsidiary, for the three months ended 31 March 2011. Fee and commission income for the Company's asset management business increased by 35.0%, from RMB40 million for the three months ended 31 March 2010 to RMB54 million for the three months ended 31 March 2011.

Comparison of 2008, 2009 and 2010. Segment revenue and other income, including interest income, increased by 7.3% from RMB3,765 million in 2009 to RMB4,040 million in 2010. This increase was due to an increase in our average AUM in 2010 as compared to 2009. These changes in AUM resulted in an increase in our advisory and management fee revenue, with fee and commission income increasing by 7.4% in 2010, from RMB3,482 million in 2009 to RMB3,741 million in 2010. Our fee and commission income generally increases at a slower rate than our AUM because fee and commission rates in the asset management industry, particularly for social security funds and enterprise annuity funds, tend to be relatively low.

In 2009, segment revenue and other income, including interest income, decreased slightly by 2.1%, from RMB3,844 million in 2008 to RMB3,765 million in 2009. The decrease was primarily attributable to a decrease in investment income in 2009, which more than offset the gains in our other sources of income in this segment such as fees and commissions, which increased as a result of our average AUM increasing in 2009.

Operating expenses

Operating expenses from our Asset Management segment consist mainly of fund marketing expenses and employee expenses such as salary and bonuses.

Comparison of three months ended 31 March 2010 and 2011. Operating expenses increased by 9.3% between the three months ended 31 March 2010, when operating expenses were RMB497 million and the three months ended 31 March 2011, when operating expenses were RMB543 million. This increase in operating expenses between the three months ended 31 March 2010 and the three months ended 31 March 2011 was primarily due to increased product development and marketing expenses.

Comparison of 2008, 2009 and 2010. Operating expenses increased by 29.5% from RMB2,071 million in 2009 to RMB2,682 million in 2010. This increase was primarily the result of increased marketing activities in 2010, as we sought to more actively promote our asset management services, and our efforts to expand and strengthen our research capabilities.

Operating expenses decreased by 2.7% from RMB2,129 million in 2008 to RMB2,071 million in 2009. Although our day-to-day operating expenses increased in 2009, our overall operating expenses declined in comparison to 2008, because impairment losses recorded in 2008 increased overall operating expenses for that period. We did not record any impairment losses in 2009 in our Asset Management segment.

Profit before income tax

Comparison of three months ended 31 March 2010 and 2011. Profit before income tax decreased by 47.7% between the three months ended 31 March 2010, when profit before income tax was RMB570 million and the three months ended 31 March 2011, when profit before income tax was RMB298 million. This decrease in profit before income tax between the three months ended 31 March 2010 and the three months ended 31 March 2011 was due to decreases in fee and commission income and investment income, and increases in expenses as described above.

Comparison of 2008, 2009 and 2010. Profit before income tax decreased by 19.8% from RMB1,694 million in 2009 to RMB1,358 million in 2010. The decrease in 2010 was primarily the result of higher expenses in the form of increased marketing expenses and the expansion and strengthening of our research capabilities.

Profit before income tax decreased slightly by 1.2%, from RMB1,715 million in 2008 to RMB1,694 million in 2009. This was primarily attributable to the decrease in investment income in 2009.

Others

The following table sets forth selected information concerning our Others segment for the periods presented:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Segment revenue and other income	640	405	6,680	93	291
Fee and commission income	26	76	124	26	29
Interest income	352	68	138	29	6
Investment income	198	188	6,331	11	247
Other income	65	74	87	27	10
Operating expenses	284	268	205	42	54
Profit before income tax	356	240	6,499	55	262

We report the revenue from our private equity investments and other principal investments in our Others segment. We engage in private equity activities as a principal in China through our wholly-owned subsidiary, GoldStone. We also invest in and manage private equity funds in Hong Kong, and invest in and commit capital to investment vehicles that present us with business or capital appreciation opportunities. Our Others segment contributed 3.2%, 1.7% and 22.1% of our total revenue and other income and 3.7%, 1.8% and 39.8% of our total profit before income tax in 2008, 2009 and 2010, respectively. Our Others segment also contributed 2.0% and 7.6% of our total revenue and other income, and 2.7% and 14.7% of our total profit before income tax, for the three months ended 31 March 2010 and 2011, respectively.

Segment revenue and other income

Others segment revenue and other income consists of income from exiting our private equity investments, gains from the sale of interests in our strategic long-term investments, and dividend income and interest income on the cash deposits of our private equity investments made through our wholly-owned subsidiary GoldStone.

Comparison of three months ended 31 March 2010 and 2011. Segment revenue and other income increased by 212.9% from RMB93 million for the three months ended 31 March 2010 to RMB291 million for the three months ended 31 March 2011. This increase was primarily attributable to an increase in investment income between the three months ended 31 March 2010, when investment income was RMB11 million, and the three months ended 31 March 2011, when investment income was RMB247 million. This increase was attributable to returns from exiting certain of our private equity investments made through GoldStone in the secondary market.

Comparison of 2008, 2009 and 2010. Segment revenue and other income, including interest income, increased from RMB405 million in 2009 to RMB6,680 million in 2010. The increase in 2010 from 2009 was primarily attributable to a significant increase in investment income from RMB188 million in 2009 to RMB6,331 million in 2010, which largely reflected the divestment of a 53% equity interest in China Securities, as well as investment returns from our private equity investments held by GoldStone.

In 2009, segment revenue and other income, including interest income, decreased by 36.7% from RMB640 million in 2008 to RMB405 million in 2009. The decrease in 2009 from 2008 was primarily attributable to a decrease in interest income. This decrease in interest income was due to a decrease in the PBOC benchmark interest rate in late 2008.

Operating expenses

Operating expenses consist primarily of salaries and bonuses, as well as interest expenses, and includes the operating expenses of GoldStone. We also recognise impairment losses or gains on our long-term investments as operating expenses of our Others segment.

Comparison of three months ended 31 March 2010 and 2011. Operating expenses increased by RMB12 million between the three months ended 31 March 2010, when operating expenses were RMB42 million, and the three months ended 31 March 2011, when operating expenses were RMB54 million. This increase in operating expenses between the three months ended 31 March 2010 and the three months ended 31 March 2011 was due to the expansion of our private equity investment business activities.

Comparison of 2008, 2009 and 2010. Operating expenses, including finance costs and impairment losses, decreased by 23.5% from RMB268 million in 2009 to RMB205 million in 2010. The decrease in 2010 was primarily the result of improved cost control.

In 2009, operating expenses, including finance costs and impairment losses, decreased by 5.6% from RMB284 million in 2008 to RMB268 million in 2009. The decrease in 2009 was caused by a decline in the operating expense of our subsidiaries in 2009.

Profit before income tax

Profit before income tax for our Others segment includes our share of the profits and losses of our strategic long-term equity investments and private equity investments made by GoldStone.

Comparison of three months ended 31 March 2010 and 2011. Profit before income tax increased by 376.4% between the three months ended 31 March 2010, when profit before income tax was RMB55 million, and the three months ended 31 March 2011, when profit before income tax was RMB262 million. This increase in profit before income tax was mainly due to an increase in returns from our private equity investments made through GoldStone.

Comparison of 2008, 2009 and 2010. Profit before income tax increased from RMB240 million in 2009 to RMB6,499 million in 2010. The increase in 2010 was primarily the result of our divestment of a 53% equity interest in China Securities and returns from our private equity investments made by GoldStone.

In 2009, our profit before income tax was RMB240 million, a decrease from 2008, when we had profit before income tax of RMB356 million. This decrease was primarily attributable to a decline in our interest income for the year, which was mainly caused by a decrease in the PBOC benchmark interest rate.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We manage our liquidity and capital resources on a group-wide basis. We have historically met our funding and capital requirements primarily with cash inflows generated from our operating activities, sales of our capital shares, long-term bond issuances, short-term repurchase agreements and short-term loans. Debt has historically not been a significant source of capital for us. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet payment obligations when they fall due, through the use of low-risk instruments such as bank deposits, inter-bank borrowing and lending, and repurchase and reverse repurchase agreements. We seek to maintain stable sources of funding and liquidity, but will vary our positions in such low-risk instruments, primarily on the basis of the interest rates offered or charged on different instruments at different times. As an investment bank, operating cash flow is not fully reflective of our operations and liquidity because we also derive a substantial portion of our working capital from and manage our liquidity and funding through our investment activities, including by leveraging purchases or divestments of available-for-sale financial assets and investment vehicles. We also hold a significant amount of our current assets in the form of liquid financial instruments, which we expect could be quickly liquidated in the near term to meet working capital requirements and potential unforeseen liquidity requirements if necessary. In addition, most of our operating activity revenue is paid in cash without any turnover time between recognition of the revenue and payment. Because we use our investment activities to help us manage our liquidity, for example through the availability of liquid financial assets for working capital purposes, we have not been as reliant on operating cashflows to meet our working capital requirements. Consequently, changes in our operating cashflows may not necessarily have a significant impact on our ability to meet our working capital needs. For more information on our liquidity risk management, please see "— Qualitative and Quantitative Disclosures about Market Risk — Liquidity Risk", below.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2008	2009	2010	2010	2011
				(Unaudited)	
	(RMB in millions)				
Net cash inflow/(outflow) from operating activities	33,837	13,881	(9,457)	1,263	1,034
Net cash inflow/(outflow) from investing activities	(25,153)	(7,038)	179	4,878	3,879
Net cash inflow/(outflow) from financing activities	(2,573)	(3,975)	(407)	39	338
Net increase/(decrease) in cash and cash equivalents	6,111	2,868	(9,685)	6,180	5,251
Cash and cash equivalents at the end of the year/period	24,268	27,132	17,353	33,308	22,582

Operating activities

Our operating activities include our fee and commission based services, such as underwriting, financial advisory, brokerage and asset management services, our prime services such as margin financing and securities lending, purchases and sales of financial assets held for trading, repurchase and reverse repurchase transactions, and other operating activities.

Brokerage Deposits, which we are required to deposit with qualified commercial banks, are reflected in our consolidated statements of financial position as cash held on behalf of customers in our current assets and as accounts payable in our current liabilities, and are a significant component of both our current assets and our current liabilities. Under IFRS, cash held on behalf of customers is accounted for separately from our own cash and bank balances. Brokerage Deposits do not materially affect our operating cash flows, other than as a source of interest income earned on such deposits. The portion of accounts payable that is in excess of our cash held on behalf of customers is the amount of our customers' refundable deposits. Please see "— Assets and Liabilities."

Repurchase agreements of the Group are short-term contracts with third party counterparties, such as banks and other financial institutions, under which the Group sells financial assets, such as equity securities, and agrees to repurchase such financial assets at a specified future date, usually one day later. Reverse repurchase agreements of the Group are short-term contracts with third party counterparties, such as banks and other financial institutions, under which the Group purchases financial assets, such as equity securities, and agrees to sell such financial assets back to the counterparty at a specified future date, usually one day later.

Comparison of three months ended 31 March 2010 and 2011. Net cash inflow from operating activities for the three months ended 31 March 2011 was RMB1,034 million, a 18.1% decrease from RMB1,263 million for the three months ended 31 March 2010. The decrease was primarily due to higher net profits generated by cash-based activities in the three months ended 31 March 2010, when we consolidated revenues from China Securities, as compared to the three months ended 31 March 2011, when we no longer consolidated China Securities' revenue. During the three months ended 31 March 2011, we also paid the tax associated with the gain recognized from our divestment of a 53% equity interest in China Securities. This caused our income tax paid to increase from RMB649 million for the three months ended 31 March 2010 to RMB1,790 million for the three months ended 31 March 2011.

Comparison of 2008, 2009 and 2010. Net cash outflow from operating activities was RMB9,457 million in 2010, compared to a net cash inflow of RMB13,881 million in 2009. The net cash outflow in 2010 was primarily due to an increase in operating expenses, repurchase and reverse repurchase transactions and provision of margin loans. Due to the expansion of our business, we increased the number of our brokerage branches and staff as well as our employees' compensation in 2010 to help us remain competitive. The net cash outflow from other assets was RMB6,391 million in 2010, compared to a net cash inflow of RMB118 million in 2009. The net cash outflow from other assets primarily included cash used in reverse repurchases transactions, which we utilise to manage our excess liquidity, and margin financing activities in the PRC, which we commenced in March 2010 and grew rapidly thereafter. The net cash outflow from repurchase transactions was RMB3,342 million, compared to net cash inflow of RMB9,330 million in 2009, as we frequently utilised repurchase agreements to provide funding and liquidity for our increased flow-based fixed income market-making trading in 2009. Additionally, while we increased our use of repurchase agreements in 2010, the cash proceeds we received from the divestment of China Securities in the fourth quarter of 2010 provided us with sufficient liquidity to decrease our use of repurchase agreements in late 2010. Consequently the Group did not have as much in outstanding repurchase agreements as at 31 December 2010.

Net cash inflow from operating activities was RMB13,881 million in 2009, a 59.0% decrease from a net cash inflow from operating activities of RMB33,837 million in 2008. This decrease was primarily due to a decrease in cash inflows from other assets, from RMB30,203 million in 2008 to RMB118 million in 2009. In 2008, we liquidated our reverse repurchase agreement investments due to our heightened liquidity needs during the global financial crisis. Another portion of this cash inflow was attributable to our receipt in cash of refundable deposits upon the settlement or expiration of certain warrants.

Investing activities

Our investing activities primarily include purchases and sales of available-for-sale investments and properties, and the acquisition and divestiture of subsidiaries, associates and jointly-controlled entities.

Comparison of three months ended 31 March 2010 and 2011. Net cash inflow from investing activities for the three months ended 31 March 2011 was RMB3,879 million, a 20.5% decrease from RMB4,878 million for the three months ended 31 March 2010. This was primarily due to our selling fewer available-for-sale financial assets based on market conditions during the three months ended 31 March 2011. Net cash inflow from disposal or purchase of available-for-sale financial assets was RMB3,946 million for the three months ended 31 March 2011, a 14.3% decrease from RMB4,607 million for the three months ended 31 March 2010.

Comparison of 2008, 2009 and 2010. Net cash inflow from investing activities in 2010 was RMB179 million, compared to a net cash outflow of RMB7,038 million in 2009. This change was primarily due to the net cash inflow of RMB3,762 million from the disposal of available-for-sale financial assets as we took advantage of improved market conditions, as well as a net cash inflow from dividend income and interest income from available-for-sale financial assets of RMB1,288 million. In 2009, we increased our holdings of available-for-sale financial assets, due to our increased trading and market-making activities as the financial markets recovered and our clients' needs grew. In particular, we increased our holdings of stock index futures as part of our market-neutral hedging strategies. In 2010, we subsequently reduced our holdings of available-for-sale financial assets and recorded a profit on these dispositions. Primarily as a result of our divestment of equity interests in China Securities and CITIC PE Fund, net cash outflow from disposal of subsidiaries was RMB3,324 million, which includes cash inflow of RMB6,560 million we received as consideration, offset by the cash outflow of RMB9,884 million owned by China Securities and CITIC PE Fund, including Brokerage Deposits that belonged to China Securities' customers.

Net cash outflow from investing activities was RMB7,038 million in 2009, a 72.0% decrease from a net cash outflow of RMB25,153 million in 2008. This was largely due to a net cash outflow decrease to RMB5,641 million in 2009 from RMB24,994 million in 2008, due to purchases of available-for-sale financial assets, as we increased our trading and market-making positions in fixed income products during the global economic crisis in 2008 to provide liquidity to our customers as well as balance the risk and return profile of our principal portfolio.

Financing activities

Our financing activities primarily include borrowings and repayments, changes in capital, the distribution of dividends to our Shareholders and the payment of interest on our debt instruments.

Comparison of three months ended 31 March 2010 and 2011. Net cash inflow from financing activities for the three months ended 31 March 2011 was RMB338 million, compared to RMB39 million for the three months ended 31 March 2010. This increase was mainly due to short-term borrowings by our subsidiary CSI from certain financial institutions to help finance the expansion of our overseas business.

Comparison of 2008, 2009 and 2010. Net cash outflow from financing activities was RMB407 million in 2010, a 89.8% decrease from a net cash outflow of RMB3,975 million in 2009. This was due to a capital injection into CITIC PE Fund by an unaffiliated investor in 2010 prior to our divestment of equity interests in CITIC PE Fund, which partially offset our dividends and interest expense.

Net cash outflow from financing activities in 2009 was RMB3,975 million, a 54.5% increase from a net cash outflow of RMB2,573 million in 2008. The increase in net cash outflow was primarily the result of our repayment of RMB450 million in principal amount of our bonds that matured in 2009, as well as dividends and interest expense of RMB3,661 million in 2009, a 48.7% increase from RMB2,462 million in 2008. This increase in dividends and interest expense was due to the conversion of a portion of our capital reserve into common share capital at a 1:1 ratio in 2008. After the conversion, the total share capital of the Company increased from RMB3,315 million to RMB6,630 million. As a result, the dividend payments due in 2008 and paid in 2009 were greater than the payments due in 2007 and paid in 2008.

Assets and Liabilities

Although our balance sheet fluctuates daily depending on our clients' activities, market conditions and business opportunities, our total assets as at each statement of financial position date, particularly our adjusted assets (which are our total assets less Brokerage Deposits and our customers' portion of refundable deposits), are not generally materially different from our total assets or adjusted assets during the relevant period. In order to ensure appropriate liquidity management and capital allocation, we dynamically monitor the size and composition of our balance sheet and seek to maintain a liquid balance sheet. Most of our balance sheet consists of current assets and liabilities, on account of the highly liquid nature of our business. As at 31 March 2011, excluding Brokerage Deposits, our adjusted current assets accounted for 84.8% of our adjusted assets.

Brokerage Deposits form a significant component of both our current assets, reflected as cash held on behalf of customers, and our current liabilities, reflected under accounts payable. A portion of the refundable deposits on our balance sheet also belong to our customers and comprise the remainder of our accounts payable. Brokerage Deposits and refundable deposits held by us fluctuate based on our customers' trading activity, financial market conditions and other factors extrinsic to our business; consequently, although we earn some interest income from these deposits, Brokerage Deposits and our customers' share of refundable deposits tend not to be meaningful indicators of our financial condition or operating performance. We have therefore adjusted our assets and liabilities in the following presentation and discussion to exclude the effect of Brokerage Deposits and our customers' share of refundable deposits. For more details on Brokerage Deposits, please see notes 30 and 32 in Section II of the Accountants' Report in Appendix I to this prospectus.

The following table sets out certain key components of our assets and liabilities for the periods indicated, as adjusted:

	As at 31 December			As at 31 March
	2008	2009	2010	2011
	(RMB in millions)			
Adjusted non-current assets(1)	**6,247**	**8,308**	**13,418**	**14,182**
Including:				
Property, plant and equipment	884	2,380	2,491	2,579
Investments in associates	122	484	1,022	1,022
Investments in jointly-controlled entities	688	779	740	758
Available-for-sale financial assets	2,438	2,213	5,983	6,743
Total non-current liabilities	**2,159**	**1,924**	**2,308**	**2,370**
Including:				
Bonds payable	1,950	1,500	1,500	1,500
Adjusted current assets(2)	**69,572**	**86,022**	**77,678**	**79,021**
Including:				
Margin financing and securities lending	102	423	1,975	2,142
Available-for-sale financial assets	33,443	42,885	37,056	33,494
Financial assets held for trading	6,005	11,887	13,856	14,524
Reverse repurchase agreements	3,327	1,903	1,866	157
Cash and bank balances	24,778	27,892	18,444	23,747
Adjusted current liabilities(3)	**16,134**	**27,592**	**17,941**	**18,389**
Including:				
Repurchase agreements	8,593	17,923	6,902	9,229
Loans	—	88	128	462
Total debt(4)	**1,950**	**1,588**	**1,628**	**1,962**
Adjusted net current assets(5)	**53,438**	**58,430**	**59,737**	**60,632**
Adjusted assets(6)	**75,819**	**94,330**	**91,096**	**93,203**

(1) Adjusted non-current assets equals total non-current assets less our customers' refundable deposits. The amount of our customers' refundable deposits is calculated by subtracting cash held on behalf of customers from accounts payable to clients.

(2) Adjusted current assets equals total current assets less cash held on behalf of customers.

(3) Adjusted current liabilities equals total current liabilities less accounts payable to clients.

(4) Total debt is the aggregate of our bonds payable and loans.

(5) Adjusted net current assets equals adjusted current assets less adjusted current liabilities.

(6) Adjusted assets equals total assets less (i) cash held on behalf of customers and (ii) customers' refundable deposits.

Adjusted Non-Current Assets

We had adjusted non-current assets of RMB14,182 million as at 31 March 2011, an increase of 5.7% from our adjusted non-current assets of RMB13,418 million as at 31 December 2010. Adjusted non-current assets increased by RMB5,110 million in 2010 and RMB2,061 million in 2009, representing a 61.5% and a 33.0% increase over 2009 and 2008, respectively. Increases in our adjusted non-current assets are largely due to increases in our equity investments, particularly our private equity investments.

The majority of our non-current assets are in the form of equity investments. These are reflected on our balance sheet as investments in associates, investments in jointly-controlled entities, and available-for-sale financial assets. Investments in associates and investments in jointly-controlled entities are strategic principal investments, while non-current available-for-sale financial assets are private equity investments that are subject to transfer restrictions preventing their disposal within a year. These non-current investments amounted to RMB8,523 million as at 31 March 2011 and were 60.1% of our adjusted non-current assets, with non-current available-for-sale financial assets accounting for most of this amount.

Excluding our non-current investments, property, plant and equipment is the largest component of our non-current assets. Property, plant and equipment is mostly comprised of real property used for operational purposes, including our brokerage branches, and accounted for RMB2,579 million of non-current assets as at 31 March 2011. Property, plant and equipment increased significantly in 2009 by RMB1,496 million due to our acquisition of our office buildings in Beijing and Shenzhen.

Non-Current Liabilities

We had total non-current liabilities of RMB2,370 million as at 31 March 2011. The majority of our non-current liabilities consist of our outstanding 4.25% Bonds due 2021 in the aggregate principal amount of RMB1,500 million. Please see "— Indebtedness — Borrowings" for a further discussion of our outstanding 4.25% Bonds due 2021.

Adjusted Current Assets

Our adjusted current assets as at 31 March 2011 were RMB79,021 million, 1.7% more than the RMB77,678 million we held as at 31 December 2010, mostly due to an increase in our cash and bank balances. Our total adjusted current assets declined by RMB8,344 million in 2010 and increased by RMB16,450 million in 2009, representing a 9.7% decrease as compared to 2009 and a 23.6% increase as compared to 2008, respectively. The significant increase in 2009 as compared to 2008 was due to the recovery in the capital markets following the global economic crisis in 2008, while the decrease in 2010 as compared to 2009 was mainly due to our divestment of certain available-for-sale financial assets, the proceeds of which were largely applied towards our private equity investments, and the divestment of equity interests in China Securities, which resulted in a decrease in cash and bank balances.

Our short-term financial investments, reflected as available-for-sale financial assets, financial assets held for trading and financial assets designated at fair value through profit or loss, have historically been a major portion of our current assets, and as at 31 March 2011, accounted for RMB48,415 million, or 61.3%, of our adjusted current assets. Changes in these short-term financial assets are subject to our trading and market-making strategies according to customer activities, market conditions and business opportunities. As China's prime services market developed in 2010, we expanded our prime services, as evidenced by the increase in our margin financing and securities lending, from RMB423 million as at 31 December 2009 to RMB1,975 million as at 31 December 2010 and to RMB2,142 million as at 31 March 2011. We have also increased our use of derivative instruments to manage our risk exposure and our use of reverse repurchase agreements to manage our liquidity and capital needs since 2010.

Adjusted Current Liabilities

Our adjusted current liabilities primarily consist of derivative financial liabilities, repurchase agreements, tax payable, loans and other borrowings, and other current liabilities. Our adjusted current liabilities as at 31 March 2011 were RMB18,389 million, and increased slightly by 2.5% from 31 December 2010, when our adjusted current liabilities were RMB17,941 million. We had a significantly higher amount of adjusted current liabilities of RMB27,592 million as at 31 December 2009 as compared to RMB16,134 million as at 31 December 2008, due to our greater use of repurchase agreements to meet short-term liquidity needs during the economic recovery in 2009. We use repurchase agreements as an instrument of short-term liquidity management, and the volume of repurchase agreements that we enter into fluctuates from day-to-day based on our immediate needs. As at 31 December 2009, the amount of outstanding repurchase agreements was RMB17,923 million, and as at 31 December 2010, the amount of outstanding repurchase agreements was RMB6,902 million. The difference in the amount of outstanding repurchase agreements as at each of these dates was primarily due to the increased amount of cash held by the Company in late 2010 resulting from the divestment of equity interests in China Securities. The proceeds of this divestment reduced the Company's need to use repurchase agreements to meet its short-term liquidity needs, and consequently the Group did not have as much in outstanding repurchase agreements as at 31 December 2010. As at March 31 2011, we had RMB9,229 million of repurchase agreements outstanding.

Adjusted Net Current Assets

We believe adjusted net current assets is a more meaningful indicator of our financial performance because it does not include the impact of Brokerage Deposits, which as discussed above, is largely unrelated to our financial performance but can cause large changes in our balance sheet.

Our adjusted net current assets were RMB60,632 million as at 31 March 2011, and increased by 1.5% from RMB59,737 million as at 31 December 2010. Adjusted net current assets increased by RMB1,307 million in 2010 and RMB4,992 million in 2009, a 2.2% and 9.3% increase over the prior year, respectively.

INDEBTEDNESS

Borrowings

As at 31 July 2011, our total borrowings amounted to RMB2,266 million, which included our long-term bonds, short-term loans and short-term borrowings due to banks.

As at 31 July 2011, we had RMB1,500 million of 4.25% Bonds due 2021 outstanding (the "2021 Bonds"). The 2021 Bonds require that the Company maintain the following financial ratios: a total debt to asset ratio of no more than 75%; a current asset to total asset ratio of no less than 50%, and net assets of no less than RMB4.5 billion. As at 31 July 2011, the Company is in compliance with each of these ratios.

As at 31 July 2011, we had RMB666 million of loans with a maturity of less than three months outstanding. These loans were borrowed by our subsidiary CSI to help fund its Hong Kong operations.

As at 31 July 2011, we also had RMB100 million of short-term borrowings due to banks, which were fully repaid on 1 August 2011.

We have historically not relied on debt as a significant source of funding and our debt to adjusted assets ratio, which is calculated by dividing total debt by adjusted assets, has historically been very low. We believe that our low leverage offers us significant flexibility in managing our balance sheet as well as our future expansion plans.

Our directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Group since July 31, 2011.

Contingent Liabilities

As at 31 July 2011, we were not involved in any material legal, arbitration or administrative proceedings that if adversely determined, we expect would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

As at 31 July 2011, we do not have any guarantees, mortgages, charges, or other material contingent liabilities.

Commitments

The following table provides a summary of the Group's commitments as at 31 July 2011 in respect of capital expenditure, investments and operating leases:

Commitments	As at 31 July 2011
	(RMB in millions)
Capital commitments (contracted, but not provided for)	225
Investment commitments (contracted, but not fulfilled)	421
Operating leases	
Within one year	251
After one year but not more than two years	191
After two years but not more than three years	148
After three years	309
Total	**1,546**

CAPITAL EXPENDITURE

The total amount of our capital expenditures for the years ended 31 December 2008, 2009 and 2010 were RMB376 million, RMB1,906 million and RMB1,023 million, respectively. Our capital expenditures mainly consisted of purchases or construction expenses of property, plant and equipment, and investment properties.

CAPITAL ADEQUACY AND RISK CONTROL INDEX REQUIREMENTS

According to the Risk Control Index Measures, we are required to establish a dynamic net capital monitoring mechanism, in line with the changing business environment, to comply with the regulatory requirements for net capital, including a net capital to net assets ratio of no less than 40%, to help manage capital adequacy. In addition, we are required to maintain certain minimum amounts of net capital to engage in different businesses, such as margin financing, securities lending, asset management, underwriting, and market-making activities. These minimum requirements are calculated based on the Company's financial information. Please see "Supervision and Regulation—Risk Control Indices" for further information. As at 31 December 2008, 2009 and 2010, we were in compliance with all of our capital adequacy and risk control index requirements. As at 31 December 2010, the

Company had net capital of RMB41.05 billion, among the highest in China as compared to its competitors, and its key risk control indices for each of the last three years have significantly exceeded the required ratios. The Company's net capital and key regulatory risk control indices for each of the periods presented are as follows:

	As at 31 December				
	2008	2009	2010	Warning Ratio[1]	Required Ratio
Net capital (RMB millions)[2]	38,779	34,904	41,050	n/a	n/a
Net capital / total risk capital reserves[3] (%)	709.7	491.8	524.6	≥120%	≥100%
Net capital / net assets (%)	78.6	66.5	66.7	≥48%	≥40%
Net capital / total liabilities[4] (%)	338.9	170.5	241.8	≥9.6%	≥8%
Net assets / total liabilities[4] (%)	431.2	256.2	362.3	≥24%	≥20%
Value of equity securities and derivatives held / net capital (%)	8.1	40.4	61.9	≤80%	≤100%
Value of fixed income securities held / net capital (%)	86.9	91.6	55.1	≤400%	≤500%

(1) Warning ratios are set by the CSRC as follows, according to the Risk Control Index Measures: If the risk control index is required to stay above a certain level, then the warning ratio is 120% of the stipulated minimum requirement, and if the risk control index is required to stay below a certain level, then the warning ratio is 80% of the stipulated maximum requirement.

(2) Net capital is measured by subtracting from net assets the risk adjustments required to be made to a securities company's financial assets, other assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorized by the CSRC.

(3) Please see "Supervision and Regulation — Risk Capital Reserves" for an explanation of how total risk capital reserves are calculated.

(4) For purposes of calculating the risk control index, total liabilities do not include accounts payable to clients.

WORKING CAPITAL

Taking into account the Group's internal resources, cash flow from operations and the estimated net proceeds from the Global Offering, the Directors confirm that the working capital available to the Group and its subsidiaries is sufficient for at least the next 12 months from the date of this prospectus.

IMPACT OF DIVESTMENTS

In 2005, we, with the cooperation of Jianyin Investment Co., Ltd., acquired a 60% equity interest in Huaxia Securities Co., Ltd. and restructured it into China Securities, with the endorsement and approval of the regulatory authorities, including the CSRC. In December 2007, the CSRC promulgated the Trial Provisions, which provide that a securities company and its subsidiary, or subsidiaries under its control, shall not operate similar businesses which would result in conflicts of interest or competition. After the Trial Provisions were promulgated, we were no longer permitted to hold a controlling interest in China Securities. In compliance with the Trial Provisions, we actively pursued the divestment of our majority equity interest in China Securities. Please see "Risk Management and Internal Control — Regulatory Review and Proceedings" for more information. Our Board approved the divestment of a 53% equity interest in China Securities on 1 June 2010, which was followed by our Shareholders' approval on 17 June 2010. In accordance with the divestment plan, we divested a 45% and an 8% equity interest in China Securities in November 2010 and December 2010, respectively, for a total consideration of RMB8.6 billion, in line with an independent valuation report.

We recognized and consolidated the financial results of China Securities primarily in our Brokerage segment for the two years ended 31 December 2009 and the period from 1 January 2010 to 15 November 2010, the date when we ceased to own a majority of its equity interests. We recognize gain or loss from the disposal of subsidiaries as a revenue line item in our financial statements. Certain costs related to the underlying transactions, such as staff costs and tax charges, are also included in the calculation of our net gains or losses from such transactions and affect our net income. The three months ended 31 March 2011 was the first full financial quarter that reflected the financial performance after the disposal of China Securities. Please see "Recent Developments" for more information on the impact of the divestment of China Securities on our financial results for the six months ended 30 June 2011. Following the divestment of our majority equity interests in China Securities, we recognize any dividends paid on our remaining 7% equity interest in China Securities as "dividend income from available-for-sale financial assets".

Our total revenue and other income in our Brokerage segment decreased between the three months ended 31 March 2010 and the three months ended 31 March 2011, primarily due to our divestment of the 53% equity interest in China Securities. However, we believe that our brokerage business remains competitive even after our divestment of China Securities. Excluding China Securities' revenue and other income for the three months ended 31 March 2010, our Brokerage segment's revenue and other income for the three months ended 31 March 2011 would have increased by approximately 4.1%, or RMB65 million, compared to the three months ended 31 March 2010. We believe our brokerage business will continue to grow in the future due to our planned expansion of our branch network, promotion of value-added services and products and our anticipated growth in the number of high-net-worth individual clients.

China Securities accounted for 25.0% and 27.6% of our total revenue and other income for each of the years ended 31 December 2008 and 2009, respectively. Excluding gains from our divestment of equity interests in China Securities from total revenue and other income for the year ended 31 December 2010, China Securities would have accounted for 23.2% of our total revenue and other income for the year. Selected financial information for China Securities for the periods presented is as follows:

	Year ended 31 December		Period ended 15 November
	2008	**2009**	**2010**
	(RMB in millions)		
Total revenue and other income	4,956	6,581	5,693
Profit for the year/period	1,739	2,617	1,795
Profit attributable to the owners of the parent	1,043	1,570	1,077

	As at 31 December		As at 15 November
	2008	**2009**	**2010**
	(RMB in millions)		
Net assets	5,214	7,310	9,050

We conduct our asset management business at our holding company level and through our subsidiaries, China AMC and CSI. To comply with the relevant regulations issued by the CSRC, we are arranging the divestment of 51% of our equity interest in China AMC. Please see "Risk Management and Internal Control — Regulatory Review and Proceedings" for more information. The proposal to divest 51% of our equity interest in China AMC was approved by our Board in May 2011 and by our Shareholders in June 2011. In July 2011, we listed 51% of our equity interest in China AMC on the Beijing Financial Assets Exchange for sale, with an intended sale price of RMB8.16 billion. On 11 August 2011, we were advised by the Beijing Financial Assets Exchange that the public bidding process for 31% of our equity interest in China AMC had been duly completed, with total consideration of RMB5.1 billion. We will continue with the divestment of the remaining 20% equity interest in China AMC.

We recognized and consolidated the financial results of China AMC in our Asset Management segment for the three years ended 31 December 2010, and will continue to recognize and consolidate the financial results until we cease to own a majority of China AMC's equity interest.

Upon completion of our divestment of a 51% equity interest in China AMC, which is estimated to occur before the end of 2011, and subject to review and approval of the proposed sale by the CSRC, we will hold the remaining 49% minority interest in China AMC. Any gain from our divestment of equity interests in China AMC will be accounted for as "gain on disposal of subsidiaries," which will comprise the gain from the divestment of the 51% equity interest in China AMC and any corresponding gain from the increase in the fair value of our remaining 49% equity interest as a result of such divestment.

After the divestment of the 51% equity interest in China AMC, our share of China AMC's profits and losses as a 49% equity interest owner will be reported in our income statement under our "share of profits and losses of associates," and our Asset Management segment's total revenue and other income will be significantly reduced due to the deconsolidation of China AMC's revenue and other income.

We believe that our asset management business at our holding company level, which ranked first in 2010 among China's investment banks as measured by AUM, will continue to grow after the divestment of China AMC. In addition, in July 2011, the CSRC granted approval for investment banks in China to raise and manage third-party private equity funds. We plan to capture this new business opportunity as part of our asset management business in 2012. Assuming we can grow our asset management business as a result of the above, we believe the extent of the impact of the divestment of China AMC may be reduced.

China AMC accounted for 16.9%, 13.1% and 11.3% of our total revenue and other income and 87.0%, 83.1% and 84.5% of our Asset Management segment's revenue and other income for each of the years ended 31 December 2008, 2009 and 2010, respectively. Selected financial information for China AMC for the periods presented is as follows:

	Year ended 31 December			Three months ended 31 March	
	2008	**2009**	**2010**	**2010**	**2011**
	(RMB in millions)				
Total revenue and other income	3,346	3,130	3,412	953	756
Profit for the year/period	1,224	1,108	1,006	461	234

	As at 31 December			As at 31 March
	2008	**2009**	**2010**	**2011**
	(RMB in millions)			
Net assets	1,752	2,700	2,496	2,717

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have designed a risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. Please see "Risk Management and Internal Control" and Note 44 in Section II of the Accountants' Report in Appendix I to this prospectus for an overview of our risk management processes. The main financial risks faced by the Group in the ordinary course of business are credit risk, market risk and liquidity risk. As we expand our business by offering new products and services, doing business with individuals and entities that are not within our traditional client and counterparty base, and entering new geographical markets, we are exposed to new regulatory and business challenges and risks, and the complexity of the risks we face has increased. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analyses and the results of our risk measurement models are not, however, predictions of future events, and our actual results may be significantly different from the analyses and results due to events in the global economy or the markets where we operate, as well as other factors described below.

Credit Risk

Credit risk is the risk of loss arising from a borrower's or counterparty's failure to meet its contractual obligations to us. We face credit risk primarily in three areas: (i) in our securities and futures brokerage business, where clients may not be able to advance sufficient funds or have enough in their security deposits with us to settle their trades but we may nonetheless be responsible to settle their trades on their behalf; (ii) in our margin financing and securities lending business, where we take the risk that our clients may default on their borrowings from us; and (iii) defaults on debt securities, where the issuer of the debt securities or our counterparty may default on its payment obligations with respect to the debt securities. Our credit risk is mitigated by a combination of our internal risk management measures as well as regulatory requirements, as discussed in Note 44 in Section II of the Accountants' Report in Appendix I to this prospectus. In the PRC, our exposure to settlement risk has been controlled by requiring customers to deposit the full amount of the trade with us prior to settlement of a trade. We mitigate credit risk in margin financing and securities lending and in debt securities defaults through a variety of measures, including credit reference checks, a counterparty credit system, a blacklist system, and by restricting investments based upon their credit ratings. Our maximum credit risk exposure without taking account of any collateral and other credit enhancements is set out below:

	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010	As at 31 March 2011
		(in RMB millions)		
Available-for-sale financial assets[(1)]	30,509	26,141	14,819	11,292
Refundable deposits	519	1,420	1,007	1,462
Financial assets held for trading[(1)]	5,366	10,001	9,635	8,475
Derivative financial assets	—	—	733	725
Reverse repurchase agreements	3,327	1,903	1,866	157
Cash held on behalf of customers	60,645	111,150	61,911	47,323
Bank balances	24,777	27,892	18,444	23,746
Others	1,950	1,357	5,169	5,382
Total maximum credit risk exposure	127,092	179,864	113,584	98,562

(1) Includes bonds only.

Liquidity Risk

Liquidity risk is the risk that our capital or funds will be insufficient to meet our financial obligations in a timely manner. We have established internal controls, described in more detail in Note 44 in Section II of the Accountants' Report in Appendix I to this prospectus, to ensure that we have, for each period in which our financial obligations become due, sufficient assets to meet those obligations. As at 31 March 2011, we had adjusted current assets of RMB79,021 million and adjusted current liabilities (excluding accounts payable to customers) of RMB18,389 million. We have historically maintained a high level of net current assets as a safeguard against liquidity risk. Please see "— Liquidity and Capital Resources — Assets and Liabilities".

Market Risk

Market risk is the risk of fluctuation in the fair value of one or more financial instruments, indices, rates or future cash flows in our trading positions arising from adverse movements in market prices, and it includes equity price risk, interest rate risk, currency risk and commodity price risk. Interest rate risk and equity price risk are the main market risks that we face. Our trading positions result from underwriting, market-making and proprietary trading activities. As the majority of business transactions we undertake and income we earn are denominated in RMB and our foreign currency denominated assets and liabilities are a relatively minor portion of our total assets and liabilities, we do not consider the effect of currency risk on our operations to be significant.

Our Risk Management Department is responsible for evaluating and monitoring our exposure to market risk, through the use of risk measurement models that perform risk identification, measurement, analysis, monitoring, reporting and management for all of our business lines. We review our corporate risk profile on a regular basis and upon the occurrence of any unusual events that may subject us to increased risk.

Equity Price Risk

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions due to movements in interest rates, foreign exchange rates or prices over a specified time period and at a given level of confidence. The calculation is based on the historical data of the Company's VaR, with a confidence level of 95% and a holding period of one trading day. We believe the Company's VaR is correlated to and indicative of the market risk for the Group.

Although VaR analysis is an important tool for measurement of market risk, it mainly relies on relevant historical data, so there are certain restrictions, and it may not accurately predict future changes in risk factors, making it especially difficult to reflect the market risk in the most extreme situations. The Company's VaR analysis by risk categories is summarized as follows:

	As at 31 December 2008	Year ended 31 December 2008		
		Average	Highest	Lowest
	(in RMB millions)			
Price-sensitive financial instruments	81	173	344	78
Interest rate-sensitive financial instruments	25	15	28	8
Total portfolio VaR	84	173	344	82

	As at 31 December 2009	Year ended 31 December 2009		
		Average	Highest	Lowest
	(in RMB millions)			
Price-sensitive financial instruments	492	243	515	89
Interest rate-sensitive financial instruments	12	9	19	2
Total portfolio VaR	493	246	516	96

	As at 31 December 2010	Year ended 31 December 2010		
		Average	Highest	Lowest
	(in RMB millions)			
Price-sensitive financial instruments	534	340	542	213
Interest rate-sensitive financial instruments	48	19	49	7
Total portfolio VaR	555	344	555	211

	As at 31 March 2011	Three months ended 31 March 2011		
		Average	Highest	Lowest
	(in RMB millions)			
Price-sensitive financial instruments	514	530	588	453
Interest rate-sensitive financial instruments	47	51	74	36
Total portfolio VaR	539	553	612	474

Due to the variability of products included in different financial institutions' VaR models, as well as the statistical assumptions that are made in the simulation of market changes and the different methods used to approximate portfolio revaluations under the simulated market conditions, VaR statistics are not readily comparable across firms. These differences can result in materially different VaR estimates for similar portfolios. Furthermore, the impact of these differences can vary depending on the factor history assumptions, the frequency with which the factor history is updated and the confidence level. As a result, VaR statistics are more reliable and relevant when used as indicators of trends in risk taking for a particular financial institution, rather than as a basis for inferring differences in risk taking between different financial institutions.

Upon the launch of the stock index futures market in 2010, we increasingly utilised stock index futures, namely CSI 300 futures, to hedge our equity price risk exposure. As the stock index futures market is relatively new in China, the hedging instruments or strategies we use may not be completely effective at managing our equity price risk exposure.

Interest Rate Risk

Interest rate risk is the risk of fluctuation in the fair value of one or more financial instruments or future cash flows arising from adverse movements in interest rates. Our interest-generating assets mainly include bank deposits, settlement deposits, refundable deposits, reverse repurchase agreements and margin loan and securities lending we provide to our customers. We calculate interest rate sensitivity for the Company, which we consider to be generally correlated to and indicative of the Group's interest rate sensitivity. We use interest rate sensitivity analysis as the principal tool to monitor our interest rate risk. Our use of interest rate sensitivity analysis assumes all other variables remain constant. Assuming a shift in market interest rates across the board, and without taking into consideration our risk management activities to reduce interest rate risk, the impact of such a shift on our revenue and shareholders' equity based on our interest rate sensitivity analysis is as follows:

	Sensitivity of revenue			
Change in basis points	**2008**	**2009**	**2010**	**31 March 2011**
	(in RMB millions)			
+25 basis points	(36)	(24)	(215)	(119)
-25 basis points	37	24	215	120

	Sensitivity of equity			
Change in basis points	**2008**	**2009**	**2010**	**31 March 2011**
	(in RMB millions)			
+25 basis points	(74)	(80)	(81)	(57)
-25 basis points	75	80	81	58

We use derivatives, including interest rate forward contracts and interest rate swaps, to hedge our interest rate risk exposure. Our ability to hedge against market risk in China, however, is limited by the young and developing derivatives market in China. This constrains the number of derivative products and other hedging products we can use to manage our market risk exposure.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant. Under the PRC Company Law and our Articles, all of our Shareholders have equal rights to dividends and other distributions proportionate to their shareholding. We generally pay dividends out of our distributable retained profit. The Company's distributable profits are based on the retained profits of the Company as determined under PRC GAAP or IFRS, whichever is lower.

We declared cash dividends in the aggregate amount of RMB3,315 million, RMB3,315 million and RMB4,973 million, in respect of the years ended 31 December 2008, 2009 and 2010, respectively, representing RMB5 per 10 A shares (including taxes) for each of those years. Our historical dividends may not be indicative of the amount of our future dividends. Following the Global Offering, our holders of H Shares and A Shares will have an equal right to the distributable profit in respect of the year ending 31 December 2011.

DISTRIBUTABLE RESERVES

As at 31 March 2011, our Company had RMB16,026 million in retained profits, as determined under IFRS, available for distribution to our Shareholders.

PROPERTY VALUATION REPORT

Particulars of our property interests are set out in Appendix IV to this prospectus. Jones Lang LaSalle Sallmanns Limited, an independent property valuer had valued our property interests as at 30 June 2011. The full text of the letter, summary of values and valuation certificates in connection with such property interests are set out in Appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our property interests from our audited consolidated financial statements as of 31 March 2011 to the unaudited net book value of our property interests as at 30 June 2011:

	RMB in millions
Net book value of our property interests as at 31 March 2011	2,378
Movements for three months ended 30 June 2011	140
Net book value of our property interests as at 30 June 2011	2,518
Valuation surplus as at 30 June 2011	1,017
Valuation as at 30 June 2011 per Appendix IV — Valuation Report	3,535[(1)]

Note:

(1) Includes both commercial value and reference value.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 March 2011, based on our audited consolidated net assets attributable to the owners of our Company as at 31 March 2011 as shown in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets attributable to owners of our Company as at 31 March 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB in millions[(1)]	RMB in millions[(2)]	RMB in millions	RMB[(3)]	HK$[(4)]
Based on Offer Price of HK$12.84 per Offer Share	71,104	10,159	81,263	7.43	9.06
Based on Offer Price of HK$15.20 per Offer Share	71,104	12,026	83,130	7.60	9.27

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as at 31 March 2011, was determined as follows:

	RMB in millions
Audited consolidated net assets of our Company as set out in Appendix I	72,443
Less: Non-controlling interests as set out in Appendix I	414
Less: Goodwill as set out in Appendix I	824
Less: Other intangible assets as set out in Appendix I	103
Add: Other intangible assets attributable to non-controlling interests	1
Consolidated net tangible assets attributable to owners of the Company	71,104

(2) The estimated net proceeds from the Global Offering are based on the offer price of HK$12.84 per H Share and HK$15.20 per H Share after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any H Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted at the PBOC Rate from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.8195 prevailing on the Latest Practicable Date.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 10,941,001,400 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any H Shares which may be issued upon the exercise of the Over-allotment Option) are in issue assuming that the Global Offering had been completed on 31 March 2011. If the Over-allotment Option is exercised in full, the adjusted net tangible assets per Share will increase.

(4) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8195 to HK$1.00, the PBOC Rate prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

The Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), interim (for the first six months of each year) and annual reports with respect to our A Shares under the Shanghai Listing Rules. We will disclose the same information in both English and Chinese in Hong Kong simultaneously under Rule 13.09(2) of the Hong Kong Listing Rules. Our annual, interim and quarterly financial statements for A Shares and H Shares will be prepared based on PRC GAAP and IFRS, respectively.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing sufficient due diligence on the Group that the Directors consider appropriate, there has been no material adverse change in the Group's financial or trading position or prospects since 31 March 2011, the date of the latest audited financial statements of the Group.