

China Merchants Securities

2010 Interim Report Summaries

§ 1 Important Notice

1.1

The Board of Directors and the Board of Supervisors with all the Directors, Supervisors and Senior Management assure that the information contained in this report does not contain any false, misleading statements or material omissions and the authenticity of the content, accuracy and completeness of the individual and joint responsibility.

This report summarized from the full text of the Interim Report in 2010, the full text of the Report can be found on the Shanghai Stock Exchange Website: <http://www.sse.com.cn>. For more details, investors should read the full text of Interim Report.

1.2

This report was reviewed and approved by the seventh meeting of the third Board of Directors of CMS. Thirteen directors among the total of fifteen of the company directors attended that meeting. Director Cai yun on behalf of Liu Chong by written authorization to act voting rights; Independent Director Ma Tiesheng on behalf of Independent director Li Shuguang by written authorization to act voting rights.

None of the Directors, Supervisors and Senior Management raised any objection to this report.

1.3

The President of the company Gong Shaolin, the head of accounting Deng Xiaoli and the head of accounting agency Che Xiaoxin assure the authenticity and completeness of financial reports in the Interim Report.

§ 2 Company Profile

2.1 Basic Information

Brief Name of Stock	China Merchants Securities	
Stock Code	600999	
Exchange Institution	Shanghai Stock Exchange	
	Board Secretary	Securities Businesses Representative
Name	Guo Jian	Luo Li
Address	45th Floor, Jiangsu Building, Yitian Road, Futian District, Shenzhen.	
Tel	0755—82943666	0755—82943666
Fax	0755—82944669	0755—82944669
E-mail	IR@cmschina.com.cn	

2.2 Key Financial Data and Indicators

2.2.1 Major Accounting Data and Financial Indicators

Unit: Yuan

Items	31 June 2010	31 Dec 2009	Comparison with the previous year (%)
Assets	88,705,502,680.93	96,512,312,560.27	-8.09
Owners' equity (minority shareholders' equity excluded)	23,801,745,462.13	22,606,157,430.64	5.29

Net assets per share applicable to shareholders of the Company	6.6384	6.3050	5.29
Items	Jan-June,2010	Jan-June,2009	Comparison with the previous year (%)
Operating profit	1,612,925,091.61	1,783,753,678.19	-9.58
Total Profit	1,617,871,627.70	1,783,000,473.10	-9.26
Net profit applicable to shareholders of the Company	1,369,205,627.71	1,360,950,156.12	0.61
Net profit applicable to shareholders of the Company after deducting non-recurring profit	1,364,330,165.36	1,359,185,959.81	0.38
Basic earnings per share	0.3819	0.4217	-9.44
Diluted earnings per share	0.3819	0.4217	-9.44
Weighted basic earnings per share after deducting non-recurring gains and losses	0.3805	0.4212	-9.66
Weighted average return on net assets (%)	5.90	15.82	-9.92
Weighted average return on net assets after deducting non-recurring profits and losses (%)	5.88	15.80	-9.92
Net operating Cash flow	-4,386,622,383.38	6,576,357,106.01	-166.70
Net operating cash flow per share	-1.2234	2.0380	-160.03

2.2.2 Non-recurring items

√ Applicable □ Not applicable

Non-Recurring Items	Jan-June 2010
Profits/(losses) of non-current assets disposal, including write-off of provision for asset impairment	-76,088.90
Profits/(losses) of government subsidies, except for subsidies according to policy that certain standards or quantitative quotas closely related to normal operations	6,671,300.00
Profits/(losses) of contingencies unrelated to operations	-3,430,984.09
Reversal of Asset Impairment for receivables after individual impairment test	1,481,483.11
Operating income and expenses other than the above items	1,782,309.08
Other non-recurring profits/(losses)	-
Total non-recurring profits and losses	6,428,019.20
Deduct: Income tax impact	-1,552,556.85
Non-recurring profits/(losses) deducting the income tax impact:	4,875,462.35
Non-recurring profits/(losses) applicable to parent company's shareholders	4,875,462.35
Non-recurring profits/(losses) applicable to minority shareholders	-

2.2.3 Differences between domestic and international accounting standards

☐ Applicable ☒ Not applicable

§3 Changes in Capital Stock and Shareholders

3.1 Changes in the shares

☒ Applicable ☐ Not applicable

Unit: share	2009.12.31		Increase / decrease			2010.06.30	
	Quantity	Percentage of shareholding	New issuance	Others	Subtotal	Quantity	Percentage of shareholding
I. Restricted Shares							
1. State-owned shares	31,968,929	0.89				31,968,929	0.89
2.State-owned legal entities shares	2,703,491,132	75.40				2,703,491,132	75.40
3. Other Domestic Shares	563,164,346	15.71		-71,709,141	-71,709,141	491,455,205	13.71
Including: Shares held by domestic legal entities	563,164,346	15.71		-71,709,141	-71,709,141	491,455,205	13.71
Shares held by domestic natural persons							
4. Foreign Shares							
Including: Shares held by foreign legal entities							
Shares held by foreign natural persons							
II. Non-restricted Shares							
1. RMB-denominated ordinary shares	286,837,000	8.00		71,709,141	71,709,141	358,546,141	10.00
2. Domestic listed foreign shares							
3. Overseas listed foreign shares							
4.Others							
III. Total Number of Shares	3,585,461,407	100.00				3,585,461,407	100.00

The three-month lock-in period of the companies' off-line IPO 71,709,141 shares expires on February 17, 2010, and are subject to circulate since then (For more details, please find the No.004(2010) temporary announcement on February 9).

During the reporting period, no further changes occurred.

3.2 Information on Shareholdings and Non-restricted Shareholdings of the top 10 shareholders

Shareholdings of the top 10 shareholders						
Name of shareholder	Classification of shareholder	Percentage of shareholding	Total number of shares held	Increase / decrease during the period	Number of restricted shares held	Number of pledged or lock-up shares
Shenzhen Jishen Investment Development Limited	State-owned shareholder	28.78	1,031,829,231	-	1,031,829,231	-
Shenzhen Zhaorong Investments Holdings Limited	State-owned shareholder	13.30	476,770,787	-	476,770,787	-
China Ocean Shipping(Group) Company	State-owned shareholder	10.85	389,193,732	-	389,193,732	-
Hebei Port Group Co., Ltd.	State-owned shareholder	4.83	173,174,834	-	173,174,834	-
China Communications Construction Co., Ltd.	State-owned shareholder	4.60	164,844,266	-	164,844,266	-
Shanghai Chongyang Investment Limited	Other	4.18	150,000,000	-	150,000,000	-
Guangzhou Martine Transport(Group) Co., Ltd.	State-owned shareholder	4.03	144,407,517	-	144,407,517	-
China Merchants Steam Navigation Company Limited	State-owned shareholder	3.80	136,342,271	-	136,342,271	-
Shenzhen Huaqiang New City Development Co., Ltd.	Other	3.60	129,076,610	-	129,076,610	-
COFCO PROPERTY (GROUP) CO., Ltd.	State-owned shareholder	3.12	111,756,693	-	111,756,693	-
Shareholdings of the top 10 shareholders of non-restricted shares						
Name of shareholder	Number of non-restricted shares held		Class of shares			
Dai-Ichi Mutual Life Insurance Company	4,599,987		Ordinary RMB-denominated shares			
Jiashi Shanghai-Shenzhen Stock Exchange 300 Index Securities Investment Fund	4,493,751		Ordinary RMB-denominated shares			
Xiang Fuding	3,408,101		Ordinary RMB-denominated shares			

China Life Insurance Company - 005L-FH002 Shanghai	2,979,038	Ordinary RMB-denominated shares
HSBC Bank	2,297,500	Ordinary RMB-denominated shares
UBS LIMITED	2,146,837	Ordinary RMB-denominated shares
E Fund ETF	1,906,286	Ordinary RMB-denominated shares
Credit Suisse First Boston	1,757,456	Ordinary RMB-denominated shares
CITI GROUP	1,593,134	Ordinary RMB-denominated shares
E Fund Shanghai-Shenzhen Stock Exchange 300 Index Securities Investment Fund	1,499,889	Ordinary RMB-denominated shares

Notes: Among the top 10 shareholders aforementioned, the first majority shareholder Shenzhen Jishen Investment Development Limited, the second largest shareholder Shenzhen Zhaorong Investments Holdings Limited. And the eighth largest shareholder China Merchants Steam Navigation Company Limited are subsidiaries of the beneficial controller China Merchants Group Limited.

3.3 Changes in controlling shareholder and beneficial controller

☐Applicable ☒Not applicable

§ 4 Directors, Members of Supervisory Committee and Senior Management

4.1 Changes in Shareholdings of Directors, Members of Supervisory Committee and Senior

Management

☐Applicable ☒Not applicable

During the reporting period and the end of report period, Directors, Members of Supervisory Committee and Senior Management did not hold any of the Company's shares or stock option.

§ 5 Directors' Report

5.1 Main Businesses Based on Sectors or Products

Class of business	Revenue during January to June, 2010	Cost of Sales during January to June, 2010	Operating Profit Margin during January to June, 2010	Revenue Change comparison with the previous year	Sales Cost comparison with the previous year	Operating Profit Margin comparison with the previous year
Brokerage	1,913,159,585.51	584,509,558.95	69.45	-17.24	-9.99	Down by 2.46 percentage points
Assets Management	33,824,833.16	10,100,009.83	70.14	-95.58	-96.98	Up by 13.80 percentage points
Securities Investment Business	196,528,476.78	18,733,152.66	—	-200.99	-69.50	—
Investment Banking	796,490,144.14	192,593,475.10	75.82	1,027.59	277.17	Up 48.11 percentage points
Direct Investment	3,126,779.79	3,356,454.88	-7.35	—	—	—
Others	216,956,775.48	344,811,898.27	-58.93	—	-15.78	—

Total	2,767,029,641.30	1,154,104,549.69	58.29	-15.87	-23.33	Up 4.06 percentage points
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During the reporting period, related business revenue generated from sales and labor services provided by the listed company to its controlling shareholders and its subsidiaries is 12.3563 million yuan.

5.2 Main Business Area Distributions

Unit: RMB

Aare	Revenue during January to June, 2010	Comparison with the previous year
Guangdong area	1,513,582,013.65	-20.11
Shanghai area	151,578,897.17	-21.05
Beijing area	354,314,508.62	-20.01
Hong Kong area	216,661,375.97	59.87
Others	530,892,845.89	-14.91
Total	2,767,029,641.30	-15.87

5.3 Reasons for the major operation changes and fundamental structure changes

☐Applicable ☒Not applicable

5.4 Reasons for the major operation profitability change (Gross Profit Rate) compared with the previous year

☒Applicable ☐Not applicable

The operating profit of Investment Banking Service increased significantly: the restart of IPO and the opening of Growth Enterprise Market brought a large scale increase to domestic first-level market. The company's operating profit margin rate is 75.82% from January to June, 2010, representing an increase of 48.11 % over the same period last year.

5.5 Analysis of the reasons for the material change of operating results and profit structure compared with the previous year

☒Applicable ☐Not applicable

The restart of IPO and the opening of Growth Enterprise Market brought a large scale increase to domestic first-level market. The company's Investment Banking Service operating profit reached RMB 604 million during January to June, 2010, representing an increase of 2985.26 % over the same period of last year. Bosera Asset Management Co., Ltd is no longer included in the company' consolidated financial statements of the reported period. Wealth Management Service achieved operating profit RMB 2400, representing a decrease of 94.50 % over the same period of last year. Due to the decreasing proceeds of financial products handing and the influence of changes in the fair value, Securities Investment Business operating profit is RMB -0.215 billion, representing a decrease of 261.63 % over the same period of the previous year.

5.6 Utilization of raised funds

5.6.1 Application of the raised funds

☐Applicable ☒Not applicable

5.6.2 Changes of projects

☐Applicable ☒Not applicable

5.8 The warnings and explanations of possible losses or substantially changes for the period from the beginning of the year to the end of the next report

☐Applicable ☒Not applicable

5.9 Explanation on “Non-standard Audited” issues from the Certified Public Accountants in the report period by the Board of Directors

☐Applicable ☒Not applicable

5.10 Explanation on the handling of last year’s “Non-standard Audited” issues and related affairs (handled by Certified Public Accountants) by the Board of Directors.

☐Applicable ☒Not applicable

§ 6 Important Events

6.1 Acquisition, Sale of Assets and Asset Restructuring

6.1.1 Acquisition of Assets

☒ Applicable ☐ Not applicable

Counterparties or ultimate controlling party	Asset acquired or asset injection	Purchasing date	Transaction price	Contribution to company's net profit from purchasing date to the reporting period (for non-business combination under the same control)	Contribution to company's net profit from the beginning of the year to year end (for business-combinations under the same control)	Does it happen in Related Transaction?(If yes, explain the principles involved in the pricing)	Does property rights involved in transaction have all been transferred?	Does credit and debt have all been transferred in the transaction?
Tai Fook Fund Managers Limited	Merchants Capital(HK)Limited Corporation formerly: "Tai Fook – Merchants Asset management Investment Company") 49% equity	2010 Jan	15.68 M HKD	—	—	No	Yes	Yes

6.1.2 Sale of Assets

☐ Applicable ☒ Not applicable

6.1.3 After the publication of asset reorganization report or acquired sale of assets, the influence on the progress of the operating results and financial position in the reporting period.

☐ Applicable ☒ Not applicable

6.2 Guarantees

☐ Applicable ☒ Not applicable

6.3 Non-business related debts

☐ Applicable ☒ Not applicable

6.4 Major litigation and arbitration

☒ Applicable ☐ Not applicable

1, Litigation with Shenzhen High-Tech Investment Guarantee Co. Ltd. for other economic contract disputes (involving 17.47 million yuan)

The economic contract case of Shenzhen High-Tech Investment Guarantee Co. Ltd. (hereinafter referred to as "High-tech Investment Company") suing Jutian Securities Co. Ltd. and Jutian Securities Co. Ltd Shennan Road Branch resumed in November 2008. High-tech Investment Company claimed CMS be the additional defendant and called for CMS to take joint liability in that 1) CMS acquired Jutian Securities Co. Ltd. and all its securities clients are transferred to CMS; 2) CMS has a direct legal interest relations for High-tech Investment Company to restore its losses in the ongoing litigation. January 2010. The case closed in Shenzhen Intermediate People's Court. The Judges hearing that: according to "Securities Risk Disposal Ordinance" issued by the State Council and "on the Trial and execution risks related to the case of the securities firm's " issued by the Supreme People's Court claim that "Custody is regulatory agency's administrative measure to the high risk securities companies' brokerage business and other operations involving public customers; the custodian only exercise management control to the brokerage business of which company is under custody; custodian will not inherit liability because of the custody activities"; and "Disposal of securities assets is of an important part of the process of the administrative disposal, administrative liquidation group in accordance with laws, administrative regulations and national policies, using methods of market transactions of assets to be disposed, on the basis of a reasonable valuation of securities assets transfer and the assignee to pay consideration of the agreement ". When securities company's creditors sued the company to the courts, requesting liability of the buyer for responsible to securities company's dept, the Court shall not support this claim. Accordingly, the Court of first instance dismissed all of the claims filed by High-tech Investment Company; therefore CMS takes no responsibility. As to June 30, 2010, CMS had not received any notice of High-tech Investment Company appealing to the Court at the next higher level.

6.5 Other major issues and solutions and the impact analysis

☒ Applicable ☐ Not applicable

1, The China Securities Regulatory Commission classifies the results of CMS in 2010 as the A class AA level.

§ 7 Financial Report

7.1 Auditor's opinion

Financial Report	unaudited
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7.2 Financial Statements

(Attached behind)

7.3 Notes to the financial statements

7.3.1 Details, reasons and effect of the changes in accounting policies, accounting estimation, and accounting error correction.

☐ Applicable ☒ Not applicable

7.3.2 Reasons and effect of significant changes in consolidation range of financial report

☐Applicable ☒Not applicable

During the reporting period, no changes occurred to the company's consolidated scope.

7.3.3 Notes on given non-standard audit reports

☐Applicable ☒Not applicable

China Merchants Securities Co., Ltd.

Chairman: Gong Shaolin

August 22nd, 2010