



2008 年度报 告
ANNUAL REPORT

The year 2008 witnessed a highly volatile international and domestic financial market. The capital market experienced the serious test and securities investor protection also faced tremendous challenges. Thanks to the leadership of China Securities Regulatory Commission and the great support of the Ministry of Finance and the People's Bank of China, China Securities Investor Protection Fund Co., Ltd. (SIPF) properly disposed of risks arising from securities companies, and made great efforts to protect the interests of investors on its own initiative in an open-minded and innovative way, following the guidelines of the 17th National Congress of the CPC and the scientific outlook on development. SIPF listened to the voice of investors, understood their situation, and reflected their appeals. SIPF deepened investor education and services, blazed a trail in the establishment of market monitoring and projection mechanism, and improved long-acting investor protection mechanism. Through efforts in the past year, SIPF has preliminarily transformed its corporate functions and successfully attained the preset objective.

In 2009, SIPF will further improve functions management in light of the following guidelines: **to fully implement the scientific outlook on development and the requirements of the National Securities and Futures Regulation Conference; to accurately understand the internal and external environment of investor protection; to perfect the long-acting investor protection mechanism with focus on protection of the legitimate rights and interests of investors; to continue with the risk disposal and basically switch the focus of work from risk disposal to risk monitoring and mitigation; to fully push forward the construction of a multi-layer, integrated and proactive investor protection mechanism which combines investor survey, investor education, investor service and investor compensation.**

In the next year, SIPF will take the following measures: strictly implement China's acquisition policy and continue the acquisition of individual creditor's rights and filling of the gap of customer securities trading settlement funds in line with the responsibilities specified in the Measures for the Administration of Securities Investor Protection Funds; fully perform the creditor's responsibility, propel insolvent securities companies to go through the windup formalities in accordance with applicable laws, and continue to properly handle the compensation for its creditor's rights; further strengthen the collection, use and management of protection fund, improve investment management system, and achieve the preservation and appreciation of protection



Chairman: Chen Gongyan

fund while ensuring the safety of principal; basically establish a survey system that combines the functions of online survey and on-site survey at the business departments of securities companies, with a view to enhancing the scientificity and effectiveness of investor survey; improve the investor call and complaint response mechanism to enhance the communication and interaction with investors; implement the “Five Ones” Investor Education Project, including producing a nonprofit TV play, publishing a series of books, developing a package of game software on investor education, sponsoring an investor protection forum, and holding an investor education demonstration project on one-hundred securities business departments to form unique investor education service system; track and understand the new trend of investor protection amid the international financial crisis, and further promote the international cooperation on securities investor protection; strive to develop the investor protection web into an investor protection platform and securities market information disclosure platform that integrate investor education, investor call, investor survey and investor services; develop a system for monitoring the securities trading and settlement funds of customers of securities companies, and strengthen the construction of basic data system for securities market; and continue to promote the formulation of the Regulation on Securities Investor Protection Fund.

Preparedness ensures success, while unpreparedness spells failure. Capital market can not succeed without a sound investor protection mechanism. In 2009, the internal and external environment of the market will be severer and more complicated. Accordingly, we shall take full consideration of difficulties and response measures, overcome the pressure and rise to the challenges, and further strengthen our consciousness of opportunity, mindfulness of danger and sense of mission. We shall get well prepared to handle new situations and new problems, safeguard the healthy and stable development of capital market, and welcome the 60th anniversary of the founding of the People's Republic of China with outstanding achievements.

I wish all securities investors good fortune in the year of ox, and express my heartfelt gratitude to all people who support the undertaking of securities investor protection.

Chairman: Chen Gongyan

2.1 Board of Directors

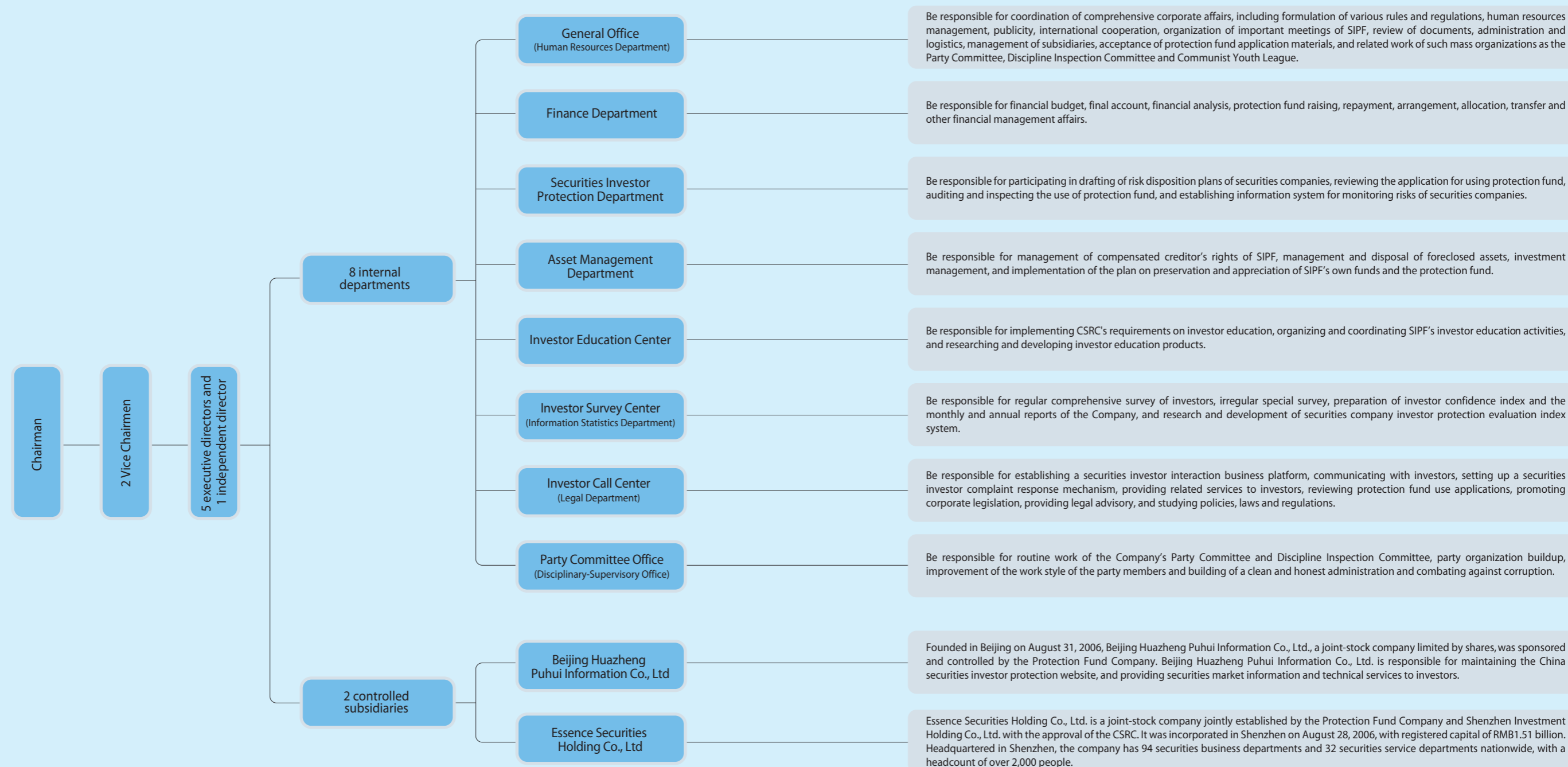


Chairman: Mr. Chen Gongyan (fourth from the left)
Vice Chairman: Mr. Rui Yuehua (fourth from the right)
Vice Chairman: Ms. Zhang Yafen (third from the left)

Executive Director: Mr. Ge Weiping (second from the left)
Executive Director: Mr. Ma Donghao (third from the right)
Executive Director: Ms. Zhang Xiaowei (second from the right)
Executive Director: Ms. Li Lian (first from the left)
Executive Director: Ms. Meng Guozhen (first from the right)

2.2 Introduction and Organizational Framework of the Company

Figure 2-1: Organizational Structure of China Securities Investor Protection Fund



With the approval of State Council, China Securities Regulatory Commission (CSRC), Ministry of Finance (MOF) and the People's Bank of China (PBC) promulgated the Measures for the Administration of Securities Investor Protection Funds (the "Measures") in June 2005, and agreed to set up a wholly state-owned protection fund company and approving the articles of association of the company. On August 30, 2005, SIPF was registered with the State Administration for Industry and Commerce, with a registered capital of RMB6.3 billion injected by the State Council via the MOF. SIPF is subordinate to CSRC.

SIPF has a board of directors composed of nine directors. The board is the decision-making organ of SIPF and takes charge of its operation and management. SIPF adopts independent operation, management and accounting in compliance with applicable laws and regulations of China. There are eight functional departments in SIPF: General Office, Finance Department, Securities Investor Protection Department, Asset Management Department, Securities Investor Education Center, Securities Investor Survey Center, Securities Investor Call Center and Party Committee Office (Disciplinary-Supervisory Office). SIPF had a headcount of 58. SIPF has two controlled subsidiaries: Essence Securities Co., Ltd. and Beijing Huazheng Puhui Information Co., Ltd. (See Figure 2-1).

2.3 Corporate Functions

SIPF's major responsibility is to raise, manage and operate securities investor protection fund; to monitor risks of securities companies and participate in the risk disposition of these companies; indemnify creditors as required by China's relevant policies in case a securities company is subject to compulsory regulatory measures, including dissolution, closure, bankruptcy, administrative takeover by the CSRC and trustee operation; to organize and participate in the liquidation of the dissolved, closed or bankrupt securities companies; to manage and dispose of foreclosed assets and safeguard the fund's rights and interests; to put forward regulatory and disposal suggestions to the CSRC in case a securities company's operation and management have material risks that may damage investor interests and the safety of the securities market; to join relevant authorities in establishing a rectification mechanism for the potential risks arising from operation of securities companies.

3. Performance in 2008

2008 was the key year for SIPF to transform its functions. Under the leadership of the Party Committee of CSRC and with the great support of MOF and PBC, SIPF properly disposed of risks arising from securities companies, attached high priority to protect the interests of investors in a proactive and innovative manner, and improved the long-acting investor protection mechanism, following the guidelines of the 17th National Congress of the CPC, scientific outlook on development and the requirements of the National Securities and Futures Regulation Conference. On the one hand, SIPF continued to perform well in such basic business as review and appropriation of protection fund relating to risk disposition of securities companies, management of creditor's rights, bankruptcy liquidation, and special audit and inspection; on the other hand, SIPF carried out various investor protection activities, listened to investors' demand, investigated their situation, reflected their appeals, and tried to establish a scientific securities market monitoring projection mechanism. Through efforts in the past year, SIPF has preliminarily transformed its corporate functions and successfully attained the work objective specified in the Focus of Work of Protection Fund Company in 2008.

First, SIPF actively and prudently examined and appropriated protection fund, strictly implemented the state policies, acquired the personal creditor's rights of disposed securities companies and filled up the gap of customers' securities trading and settlement funds. Creditor's right acquisition bears upon not only the risk disposition of securities companies but also the social stability. In 2008, SIPF reviewed a total of 66 protection fund applications, and appropriated RMB1.47 billion, of which RMB798.5 million was appropriated to 4,609 creditors in 51 deals, and RMB671.5 million appropriated in 15 deals to fill up the gap of customers' securities trading and settlement funds. So far, SIPF has made 180 appropriations of protection fund in an amount of RMB21, 833.6 million, including the funds appropriated by the PBC to the Company for lending. Among the funds, RMB15, 822.2 million was used to fill up the gap of customers' securities trading and settlement funds, involving more than 7 million customers, and RMB6, 011.4 million used to acquire personal creditor's rights, involving over 60,000 personal creditors. SIPF consistently implemented the state policy regarding acquisition, as there was no mistake or overlapping about the appropriation of acquisition funds.



Second, SIPF studied and demonstrated the major policies and problematic accounts in connection with the risk disposition of securities companies. In 2008, SIPF held seven 'five-member panel' conferences to study and resolve 175 problematic creditor's rights, 52 qualitative acquisition questions about problematic creditor's rights and accounts, as well as the issues concerning the liquidation reserve funds occupied by treasury bond repurchase investment and takeover of corporate advance funds. So far, SIPF has held 10 five-member panel conferences and discussed 280 problematic creditor's rights and accounts, concerning 16 disposed securities companies and acquisition funds of RMB1, 212 million. Among the funds, personal creditor's rights amounted to RMB741 million, concerning 228 creditors in 19 provincial administrative regions, and customers' trading and settlement funds amounted to RMB471 million. Through discussion at the conferences, 230 problematic creditor's rights and accounts were included in the acquisition plan, concerning acquisition funds of RMB884 million. A total of 26 problematic creditor's rights and accounts were not included in the acquisition plan, concerning acquisition funds of RMB176 million. The conferences also discussed that, 24 institutional accounts and the problems without explicit policies concerned acquisition funds of RMB152 million. All the problems discussed at the five-member panel conference were the difficult questions repeatedly deliberated by the liquidation team, working group and commissioner office and unable to be classified. The progress of risk disposition will be affected if these problems cannot be properly resolved. To date, SIPF has basically resolved the major problems concerning qualitative acquisition of problematic creditor's rights and accounts, except a small number of account problems of some securities companies.

Third, SIPF has established and improved protection fund creditor's right management system and participated in the bankruptcy liquidation of securities companies in accordance with law. By the end of 2008, all the 26 securities companies in which SIPF participated in the liquidation have entered the bankruptcy liquidation procedures, of which 24 securities companies held the first creditors' meetings. SIPF was appointed to be chairman of such meetings of 18 bankrupt securities companies, and elected to be member of the creditors' committee of 21 securities companies. The creditor's right management is characterized by many creditor's right application batches, many creditors' meetings and creditors' committee meetings, many daily review materials, many types of review events, many mediations with the bankruptcy managers and bankruptcy acceptance courts, many appeals of creditors, and many featured practices on bankruptcy

liquidation. According to the characteristics above, SIPF adopted the following measures on management of the creditor's rights: (1) establishing creditor's right management system and improving internal and external communication and coordination mechanism. In 2008, SIPF promulgated the Rules of China Securities Investor Protection Fund on Disposal of Foreclosed Securities Assets (Trial), and the Rules of China Securities Investor Protection Fund on Participation in Bankruptcy Liquidation of Securities Companies (Trial), which, together with the Internal Process of Protection Fund Company on Creditor's Right Applications, form a relatively sound internal system governing creditor's rights with explicit division of responsibility and clear definition of rights and responsibilities. Externally, SIPF has established good coordination mechanism with related authorities, bankruptcy acceptance courts and bankruptcy managers. (2) SIPF actively performed creditor's responsibility under the legal framework, safeguard related rights and interests of creditor, and promote the effective linkage of administrative clear-up and judicial bankruptcy. Through presiding over or participating in the creditors' meetings and the creditors' committee meetings, SIPF further improved the review and reporting mechanism on daily materials of bankruptcy liquidation, performed supervisory responsibility and safeguarded the legitimate rights and interests of creditors. SIPF actively communicated and coordinated with bankruptcy acceptance courts and bankruptcy managers, guided creditors to understand the risk disposition policy, assisted bankruptcy acceptance courts in case hearing, urged the managers to efficiently deal with bankruptcy liquidation in accordance with law, and ensured the administrative clear-up and judicial bankruptcy are consistent. (3) SIPF improved the creditor's right declaration mechanism on the creditor's right declaration, pre-declaration and change of pre-declared creditor's rights into formal creditor's rights, as well as the drawing system on the distribution amount of pre-declared creditor's rights, and ensured its creditor's rights are declared and compensated fully and in a timely manner. By the end of December 2008, SIPF had formally declared RMB24,599.6 million worth of creditor's rights to 26 securities company bankruptcy managers, of which principal of creditor's rights was RMB23,965.4 million with interest of RMB634.2 million, pre-declared creditor's rights were RMB6,186.4 million, compensated cash was RMB529.1 million, and drawn cash was RMB89 million. The compensated creditor's rights also include 8,474,964 shares in Hafei Aviation Industry Co., Ltd. and 32,625,414 shares in Harbin Pharmaceutical Group. In 2008, SIPF completed the declaration of RMB10, 980.7 million of formal creditor's rights and RMB3, 308.5 million of pre-declared creditor's rights of 11 securities companies, and the change of pre-declared creditor's rights into formal creditor's rights



in 13 batches with an amount of RMB1, 291.2 million for 11 securities companies, including Asia Securities, and compensated cash of RMB394.9 million for Southern Securities and some securities companies, with drawn amount of RMB71 million.

Fourth, SIPF carried out special audit and inspection focusing on the use of protection fund, dormant accounts and single fund accounts. Based on the audit and inspection of the creditor's rights to be acquired in 2007, SIPF further broadened the items and contents of audit and inspection in 2008. SIPF conducted 23 special audits of the dormant accounts and single fund accounts of 23 disposed companies, concerning 3.88 million accounts, with the balance of daily disposed funds of approximately RMB1, 722 million. SIPF found that there were deviation in the understanding of the definition of dormant accounts and single fund accounts, leading to understatement, wrong statement and overstatement. As a result, about 860,000 accounts should be adjusted, involving the balance of daily disposed funds of about RMB745 million. Meanwhile, SIPF conducted 22 audits and inspections of the use of protection fund by 22 disposed companies, and found there were no material issues about the use of protection fund, except for the completeness of creditor's right repayment materials and fund transfer route of several companies. Besides, entrusted by the regulatory authorities, SIPF specially audited the use of RMB260 million of fiscal funds of Xinhua Securities. Special audits and inspections played an active role in ensuring the safe and regulated use of protection fund.

Fifth, SIPF actively assisted the PBC and the National Audit Office in audits and inspections of the use of re-lending. In 2008, the PBC and the National Audit Office conducted inspection and extended audit of the use of re-lending by SIPF and visited SIPF four times to access related materials. SIPF made related business materials available to PBC and the National Audit Office and actively cooperated with their dispatched institutions, administrative clear-up team, bankruptcy liquidation team and intermediary agencies in inspection. The inspection team of the PBC took more than three months to conduct an on-site inspection of SIPF's re-lending applications and use, and extended the inspection to 23 companies, concerning more than 200,000 written documents and over 1,000 compact disks. The audits and inspections played an important role in regulating the safe and regulated use of protection fund.

Sixth, SIPF further regulated the raising, use and management of protection fund. In 2008, SIPF further simplified the collection procedures, took full advantage of information system and network platform, and established collection mechanism and overdue fine payment system directly corresponding to the collection units. In the internal management, through fixed review, double check and dual-post audit mechanism, SIPF clarified the document linkage and delivery procedures, and ensured the accurate payment and timely accounting of protection fund. In 2008, SIPF completed the protection fund payment of 104 securities companies for 2007 and protection fund prepayment of 106 securities companies for 2008, raising protection fund of RMB11, 366 million in 2008. So far SIPF has raised protection fund of RMB22, 614 million from the market. According to the re-lending repayment plan approved by the CSRC and the PBC, SIPF communicated with the Head Office Stability Bureau and Banking Department of the PBC on the re-lending repayment procedures, repayment time and operational process, and finally decided to use the funds to be raised from the market to repay the re-lending starting 2008, by way of average repayment in five years. In 2008, SIPF repaid a total of RMB6, 792 million of principal of re-lending to the Business Administration Department in two times. With the gradual increase of the funds raised from the market, preservation and appreciation of protection fund has been necessary and urgent. Whilst ensuring the fund safety, SIPF actively explored a way of preservation and appreciation of protection fund in strict compliance with the Administrative Measures on the Securities Investor Protection Fund jointly promulgated by the three ministries and commission, based on the principle of "focusing on entrusted investment backed by own investment".

Seventh, SIPF expanded the way of investor protection and promoted its business transformation. Business transformation is a strategic decision of the Company, and relates to the role of the protection fund in the capital market and investor protection system in the future. In 2008, SIPF decided to stably push forward business transformation, and established investor survey center, investor call center and investor education center following the adjustment of responsibility of internal departments, in a bid to concentrate on building a multi-layer, integrated and active investor protection mechanism composed of investor survey, investor education, investor service and investor compensation.



Investor education. According to the uniform arrangement of the CSRC, SIPF actively studied investor demands and integrated educational resources in an effort to develop long-term, systematic, omni-directional and multi-layer investor education. Since 2008, SIPF has gradually initiated the "Five Ones" Project, i.e. preparing investor manual and other investor education materials, launching investor education project in one-hundred business departments, producing a non-profit investor education TV play - "Stock Market • Stories", sponsoring investor protection international forum, and developing investor education software. The investor education with the characteristics of the protection fund greatly enriched the investor education activities.

Investor survey. So far SIPF has preliminarily established a survey system combining on-site survey in business departments of securities companies and random survey via internet, established fixed survey cooperation relationship with more than 20 securities companies and nearly 10 financial and economic internet media, and formed a survey network covering investors nationwide. SIPF has developed three kinds of surveys, i.e. comprehensive survey focusing on the investor psychology and behavior pattern, special survey focusing on hot topics on the market, and the confidence survey focusing on the investor anticipation. SIPF also preliminarily established securities market monitoring and projection mechanism, providing an important basis for regulatory decision-making and investor protection. In 2008, SIPF carried out comprehensive survey for three times, confidence survey for nine times, and special survey for three times, giving it an overall and in-depth insight into the composition of investors and market anticipation.

Investor call. It is an important part of investor protection to accept investor consulting and complaints, listen to investor demands, and collect investor opinions and suggestions by various ways. From July to the end of December 2008, the CSRC public interaction column organized by SIPF and its Investor Call Center received a total of 5,527 messages left by investors. Among these, business consulting messages numbered 589, accounting for 10.7% of total, policy consulting messages numbered 496, accounting for 9%, complaints and reports on offenses numbered 1,240, accounting for 22.4%, suggestions numbered 1,963, accounting

for 35.5%, criticisms numbered 1,239, accounting for 22.4%. For the questions reflected by investors, SIPF mainly adopted three response methods, i.e. direct reply, answer by expert panel and turnover to related departments. So far SIPF replied to 5,507 out of the left messages, accounting for 99.6% of total. In terms of proportion, investor call methods are online left messages, e-mail, hotline, mail, fax and visit, accounting for 72.7%, 19.1%, 8.1%, 0.04%, 0.03% and 0.03% respectively. The public utilized the call center to continuously expand cooperation with regulatory authorities and self-discipline organizations. Entrusted by the information center, SIPF undertakes the management of public interaction columns of external website and the e-mail for the public to report offense. Entrusted by the fund department and the Securities Association of China, SIPF undertakes the responsibility for fund industry advisory and complaint. With the efforts in the past half a year, SIPF has basically formed a unique investor call response mechanism.

According to the investor protection needs, SIPF also set up a securities investor protection expert committee composed of lawyers, accountants, securities analysts and other securities practitioners and economic and financial experts, and experts of regulatory authorities. Through open recommendation and collective review, 29 experts were finally appointed to be members of the first expert committee. The committee held the first meeting on December 10th. To date the members of the committee have become an important force for SIPF's investor protection.

Eighth, SIPF promoted the international cooperation among securities investor protection organizations.

In order to fully draw upon international experience and establish a securities investor protection mechanism under open conditions, SIPF held two international seminars in 2008, and signed the Memorandum of Understanding on Securities Investor Protection Cooperation with Canadian Investor Protection Fund to form a long-term cooperative mechanism. Through international cooperation, SIPF fully understood the experience and lessons of the countries with mature capital market in respect of investor protection laws, risk monitoring, investor education and services, providing rewarding reference for improvement of China's securities investor protection system.



Ninth, SIFP further strengthened its fundamental construction and internal management. Information system development is fundamental to improve SIFP's operation efficiency. In 2008, SIFP completed the update of protection fund business management system, call system, and securities investor protection network. Protection fund business management system includes office automation system, protection fund raising system, protection fund review and appropriation system, compensated creditor's right management system, special audit system and file management system. These systems complement with one another and have various functions such as internal network portal, file storage, data inquiry and sharing, and process management. So far all these systems have been put into operation. In order to support SIFP's business transformation, the securities investor protection web adjusted and updated some channels and added the columns such as online call. Protection web has become an important platform for investor survey, investor call, investor education and disclosure of business information. At the same time, SIFP overcame the difficulties of limited time and heavy tasks, and successfully accomplished the construction of securities investor call system and operation, updated office automation system, achieved paperless office, greatly improved work efficiency and save office costs. Moreover, with the approval of the MOF, SIFP also utilized a small amount of dividends distributed by Essence Securities to complete the equity financing of subsidiary information company (Beijing Huazheng Puhui Information Co., Ltd.), laying a foundation for the construction of information system in the future.

Regulating financial management has been an important work of SIFP since its establishment. In 2008, SIFP released a series of rules, including Provisional Measures on Budget Management. So far SIFP has formulated 19 financial management systems, making financial management and budget implementation system more perfect and efficient. In order to regulate financial management, SIFP organized and implemented a number of audits and inspections, and completed the annual audit of financial statements of the parent company and a subsidiary – Huazheng Puhui Information Co., Ltd. for 2007, as well as the audit of consolidated statements including Essence Securities, all of which have received the auditor's report with an unqualified opinion from independent auditing agency. MOF examined and verified SIFP's final accounts on financial income and expenditure for 2007 and budget for 2008. The National Audit Office conducted an extended audit of

the economic responsibility of the president of PBC during his term of office. The Ministry of Science and Technology audited and inspected the subtopic of the e-finance service pilot project. No material problems were found in the audits and inspections above. Moreover, in order to perform the responsibility of investor, SIFP also improved relevant management systems on the rights of investor involving the substantial economic events and equity financing of subsidiaries.

Administering affairs and people by system is fundamental to standardized operation and necessary for building a clean administration. In order to standardize various business processes, in 2008, SIFP formulated the business systems and rules such as Rules on Disposal of Foreclosed Securities Assets, Rules on Management of Intermediary Agencies, and Provisional Measures on Budget Management. In order to regulate the management of subsidiaries, SIFP formulated the Rules on Management of Dispatched Directors and Supervisors and the Procedural Rules on Review of Events of Shareholders' Meeting of Subsidiaries. In order to standardize the process of Party committee and cadre selection and appointment procedures, SIFP formulated the Procedural Rules of the Party Committee of the Company and the Work Rules on Selection and Appointment of Cadres. Based on the repeated solicitation for the opinions of employees, SIFP dynamically modified and improved the Administrative Measures on Evaluation of Employees, the Measures on Evaluation of Class of Positions, Rules on Annual Paid Vacation of Employees and Archives Management Measures. In 2008, SIFP formulated or amended 24 internal systems and business processes, and further optimized the corporate management framework. To strengthen the building of a clean administration, SIFP has gradually formed a working mechanism of its own feature according to its business characteristics. The disciplinary-supervisory department participated in formulating important business systems and making major decisions, and organizing the staff evaluation.

Being people-centered, SIFP cared for the interests of staff, and launched varied and colorful mass activities. In 2008, SIFP's Party committee regarded mass satisfaction as an important measurement of its management performance. In learning and practice of scientific concept of development, SIFP utilized internal network



to conduct online survey of staff satisfaction, which reached 95%. The survey shows that the employees basically had high satisfaction, with "satisfaction" and "basic satisfaction" accounting for 89%. The employees had a relatively high satisfaction with the corporate management, with "satisfaction" and "basic satisfaction" accounting for 93.67%. In 2008, the Trade Union and Communist Youth League of SIPF actively made donations, in cash and articles, for the combat against earthquake and relief of disaster, and carried out rich cultural and sports activities aiming to foster team spirit and create a harmonious company, in an effort to cultivate healthy, harmonious and enterprising corporate culture and create a humanistic work environment.

In 2008, under the direct organizing of the Party Committee and the Board of Directors, all cadres and employees of SIPF worked together to achieve regulated development and business transformation of SIPF. Due to the restriction of subjective and objective conditions, however, certain objectives failed to be attained. For instance, the monitoring of risks of securities companies have not been initiated; the three-in-one investor protection system, which integrates call center, education center and survey center, needs to be improved; the investor protection legislation should be strengthened; international cooperation on investor protection should be improved. For these weaknesses, SIPF will take effective measures to tackle them in the future.

4. Statistical Forms

4.1 Instructions on Indicators

- 1. Scope of statistics:** among the 31 securities companies disposed of since 2004, 25 companies needed the appropriation of protection fund from SIPF to fill the gap of customer securities trading settlement fund and acquire personal creditor's rights. Southern Securities was directly re-lent by the PBC, but gap of repayment with the compensation income and equity premium should be undertaken by SIPF. Liaoning Securities was directly re-lent by the PBC and SIPF did not need to provide the re-lending. Jianqiao Securities, Datong Securities, First Securities and CIFCO Securities did not need the re-lending from SIPF either. Therefore, the expression "all disposed securities companies" mentioned in the disposal progress in the statistical form means 26 securities companies relating to SIPF, including Southern Securities, but excluding Liaoning Securities, Jianqiao Securities, Datong Securities, First Securities and CIFCO Securities.
- 2. Statistical content:** the statistics covers disposal progress of disposed securities companies; raising, management and use of protection funds; compensation of creditor's rights of SIPF; special audit and particulars about the intermediary agencies participating in the risk disposition.
- 3. Error:** the calculation is based on a rounding-off method. Due to the error in the rounding off, the sum of all figures is not necessarily equal to the total amount.
- 4. Amount unit:** except as otherwise provided herein, the amount unit should be RMB 100 million.



- 5. Customer securities trading settlement fund:** it means the fund deposited in the securities trading settlement fund account by the brokerage customer for ensuring full settlement and collection, proceeds (less the brokerage commission and other justifiable expenditures) from sales of marketable securities, dividends of securities held, cash bonus, bond interest and interest of the funds above.
- 6. Personal creditor's right:** it means the creditor's right against a financial institution arising from input of funds by a resident through opening an account or trading financial products at the financial institution, excluding the creditor's right against financial institution through account opening or product trading by an individually-owned business, a sole proprietorship enterprise or an enterprise of individual partnership.
- 7. Acquisition of personal creditor's rights by the central government:** according to the Opinions on Acquisition of Personal Creditor's Rights and Customer Securities Trading Funds and other relevant policies, the central government shall bear the payment for acquisition of customers' securities trading settlement funds. Of the fund used to acquire personal creditor's rights, 90% shall be borne by the central government, and the remaining 10% by the provincial governments in the places where the head offices, branches and operating outlets of financial institutions are located. However, the fund used to acquire the misappropriated securities of normal brokerage customers shall be borne by the central government. The acquisition of personal creditor's rights by the central government mentioned herein refers to the personal creditor's rights acquired and funded by the central government, excluding the personal creditor's rights acquired and funded by local governments.
- 8. Acquisition of re-lending:** it means the re-lending (including the re-lending originally granted by branches of the PBC that has been turned over to SIPF) directly acquired from the PBC in the name of SIPF and used as the initial fund source of the securities investor protection fund.
- 9. Appropriation of protection fund:** it means the protection fund (including the re-lending originally granted by branches of the PBC that have been turned over to SIPF) directly appropriated by SIPF to the liquidation institutions of disposed securities companies.
- 10. Account clear-up:** the basic purpose of account clear-up is to provide basis for the re-lending application, third-party custody, asset collection and investigation of responsible people. The scope of clear-up includes: (1) all accounts opened by securities companies in the over-the-counter system (within the system); (2) accounts opened by securities companies and their affiliated parties in a third-party financial institution (outside the system); (3) customer securities trading settlement fund accounts and settlement excess reserve accounts opened by securities companies with banks and settlement companies. The clear-up scope of brokerage accounts mainly includes all capital accounts opened by brokerage customers within the system. The clear-up scope of non-brokerage accounts includes the capital accounts opened within and outside the system.
- 11. Third-party custody:** it is also called bank custody, which is based on the separation of customer securities from capital management, and follows the principle "securities companies manage securities and commercial banks manage fund", in order to erect a firewall between securities companies and the trading settlement fund of their customers. Securities companies are responsible for customer securities trading, share management and calculation of the trading difference of customers based on the trading settlement data of the securities registration companies. Commercial banks are responsible for the fund transfer of customer trading settlement fund account, cash deposit and withdrawal and the fund settlement and collection between securities companies, registration companies and customers, as well as payment of interest and transfer of commissions for customers according to the instructions of securities companies.
- 12. Securities asset disposal:** it means the disposal of physical assets (including the physical assets and

necessary trading seats of securities business departments, brokerage department, IT department, clearing center, computer room, operation maintenance department and other related departments) for investment banking business or maintenance of normal operation of customer securities brokerage business. The disposal should not cover such assets as house property, car, goodwill, deferred asset, self-operating securities and proprietary capital which have no direct relation with investment banking business or maintenance of securities brokerage business of securities companies. The specific scope should be determined by the liquidation team.

13. Compensated creditor's right: it means the creditor's right of the Company against disposed securities companies arising from the use of protection fund by securities companies to acquire personal creditor's rights and fill the gap of customer securities trading settlement fund in case of dissolution, closure, bankruptcy, or administrative takeover or trustee operation as required by the CSRC.

14. Compensation of creditor's right: it means that the Company participates in the bankruptcy liquidation and distribution of bankrupt assets of disposed securities companies according to the law after acquiring the compensated creditor's right against these securities companies.

15. Deadline of statistics: December 31, 2008.

4.2 Outline of Statistics

[Risk Disposition]

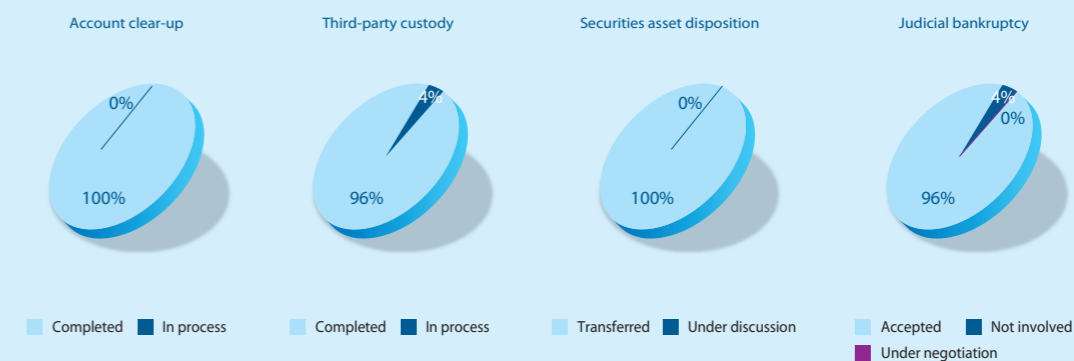
Account clear-up: by the end of 2008, a total of 26 disposed securities companies had completed the account clear-up, accounting for 100% of all disposed securities companies (26 companies, the same below).

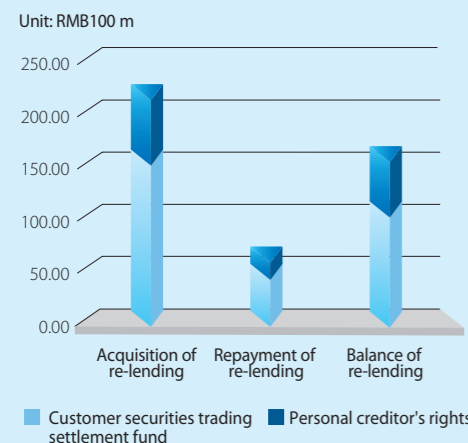
Third-party custody: by the end of 2008, a total of 25 disposed securities companies had completed the third-party custody, accounting for 96% of all disposed securities companies. One company was in process, accounting for 4%. Among the 714 business departments of all the disposed securities companies, 710 departments had completed the disposal, accounting for 99% of the total.

Disposal of securities assets: by the end of 2008, the transfer of securities assets of the 26 disposed securities companies had been completed.

Judicial bankruptcy: by the end of 2008, the judicial bankruptcy of 25 disposed securities companies (96% of the total) had been accepted by courts, and one company (4%) did not go bankrupt.

Figure 4-1: Progress of Risk Disposition of Securities Companies





[Acquisition of Re-lending and Repayment]

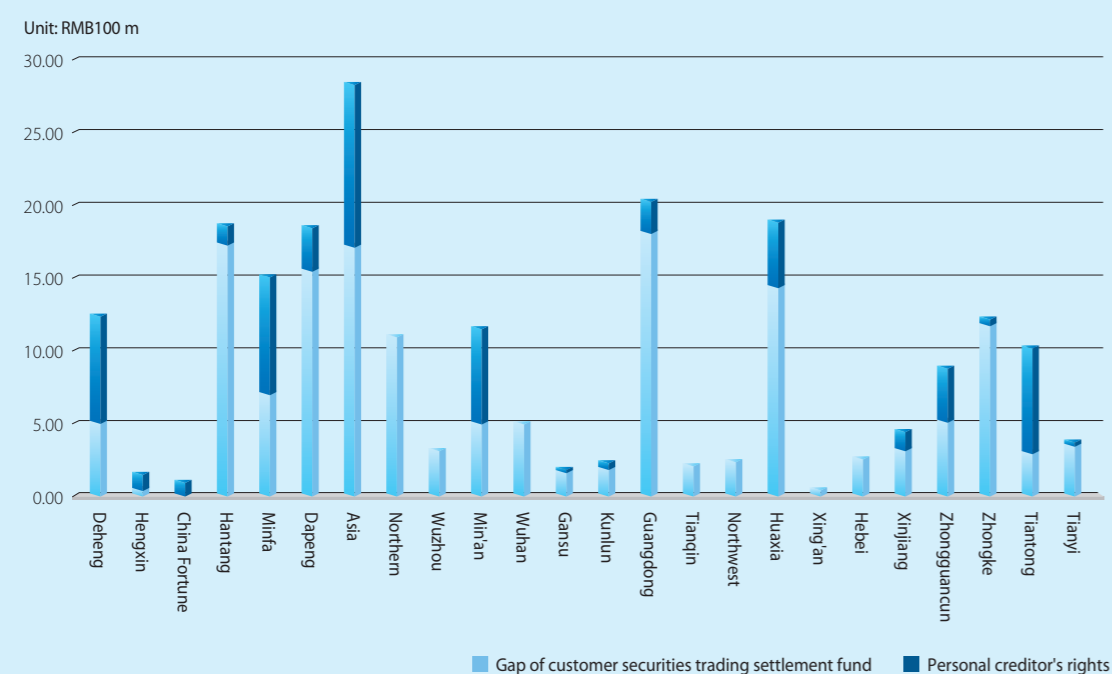
By the end of December 2008, SIPF had acquired re-lending of RMB 22,894.5 million, and accumulatively repaid RMB 6,805.6 million in the principal of re-lending, accounting for 29.73% of total re-lending. The balance of principal of re-lending amounted to RMB 16,088.9 million, accounting for 70.27% of total.

Figure 4-2: Acquisition and Repayment of Re-lending by SIPF

[Appropriation of Protection Fund]

By the end of December 2008, SIPF had appropriated protection fund of RMB 21,833.6 million to 24 disposed securities companies, of which, RMB 15,822.2 million, or 72.47%, was used to fill the gap of customer securities trading settlement fund, and RMB 6,011.4 million, or 27.53%, used to acquire personal creditor's rights.

Figure 4-3: Appropriation of Protection Fund by SIPF



[Fund Raising and Use]

SIPF raised protection funds of RMB 11,366.3 million in 2008, a year-on-year decrease of RMB 19,298.1 million or 62.93%. Of which, the PBC re-lending and interest was RMB 20.2 million, accounting for 0.18%, trading brokerage was RMB 1,578.4 million, accounting for 13.89%, fund paid by securities companies was RMB 4,402.6 million, accounting for 38.73%, interest of frozen subscription fund was RMB 4,425.7 million, accounting for 38.94%, and donation, interest and compensation income were RMB 939.4 million, accounting for 8.26%

In 2008, SIPF utilized funds of RMB 10,321.1 million, accounting for 90.8% of raised funds, of which, RMB 2,577.9 million, accounting for 24.98% of total, was used in re-lending, RMB 407.3 million, or 3.95%, used to appropriate risk disposition funds, RMB 498.5 million, or 4.83%, used to repay interest of re-lending, RMB 5,337.4 million, or 51.71%, used to repay the principal of re-lending, and RMB1.5 billion, or 14.53%, used in bond investment.

Figure 4-4: Statistics of Protection Fund Raising in 2008

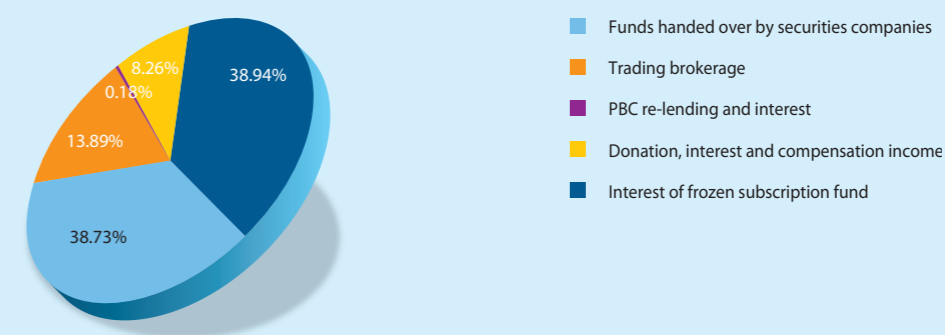
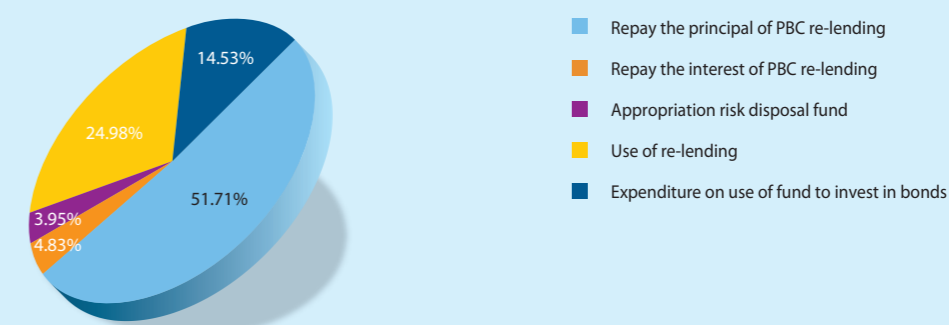


Figure 4-5: Statistics of Protection Fund Use in 2008



[Compensated Creditor's Rights]

By the end of December 2008, a total of 26 securities companies had entered the bankruptcy and liquidation proceeding. The total amount of creditor's rights formally declared by SIPF reached RMB 24,599.6 million (including principal of RMB 23,965.4 million and interest of RMB 634.2 million), and that of pre-declared creditor's rights was RMB 6,186.4 million.

[Compensation of Creditor's Rights]

By the end of December 2008, five securities companies had distributed bankrupt property. SIPF received compensation of RMB 529.1 million in cash, 8,474,964 shares in Hafei Aviation Industry Co., Ltd and 32,625,414 shares in Harbin Pharmaceutical Group. Since some pre-declared creditor's rights have not been converted into formal creditor's rights, RMB 89 million in cash was accordingly set aside. SIPF, on behalf of the MOF, received compensation of RMB 1.4 million in cash, 90,406 shares in Hafei Aviation Industry Co., Ltd and 348,032 shares in Harbin Pharmaceutical Group.

[Special Audit]

By the end of 2008, special audit reports on customer securities trading settlement fund had been issued for 24 disposed securities companies. In respect of personal creditor's rights, formal audit reports had been issued for 20 companies, and audit reports on partial personal creditor's rights issued for three companies.

5. Chronicle in 2008

1. During January 2-20, 2008, SIPF launched the "China Securities Investor Comprehensive Survey in January 2008".
2. On January 4, 2008, SIPF attended the first creditors' meeting held by Guangdong Securities and was appointed the chairman of the meeting.
3. On January 9, 2008, SIPF held the first meeting of investment decision committee for 2008, to study the disposal of shares in Hafei Aviation Industry Co., Ltd. held for compensation.
4. On January 10, 2008, Mr. Zhuang Xinyi, Vice Chairman of CSRC, visited SIPF and heard the report of the Board of Directors of SIPF.
5. On January 15, 2008, Mr. Chen Gongyan, Chairman of SIPF, presided over the fourth meeting of the five-member coordination team for risk disposition of securities companies, to study and discuss the issues concerning personal creditor's rights and problematic account acquisitions of such companies as Hebei Securities, Wuhan Securities, Deheng Securities and Tianqin Securities.
6. During January 16-17, 2008, the management of SIPF attended the National Securities and Futures Regulation Conference.
7. On January 18, 2008, SIPF spent three months on investor product collection with award, with the title of "2007 Stock Market • Stories".
8. On January 20, 2008, SIPF joined United Securities Co., Ltd. in sponsoring the "2008 Large-scale Investor Education Public Benefit Reporting Conference" in Shenzhen.
9. On January 25, 2008, SIPF accepted the property distributed by Dapeng Securities for the second time for bankruptcy liquidation.

On the same day, SIPF participated in the second creditors' meeting of Wuzhou Securities and was named as the chairman of the meeting and the member of the creditor committee.

10. During January 29-30, 2008, SIPF held an international seminar of securities investor protection fund system experts, inviting presidents of Securities Investor Protection Corporation (SIPC), Canadian Investor Protection Fund (CIPF) and IPA as well as Taiwanese experts to introduce experience on investor protection. Mr. Zhuang Xinyi, Vice Chairman of CSRC, attended and addressed at the meeting, and Chairman Chen Gongyan introduced SIPF's operations to attendees.

11. On January 31, 2008, SIPF handled the declaration of creditor's rights against Min'an Securities.

12. On February 1, 2008, the Guidelines on Inspection of Protection Fund Use by China Securities Investor Protection Fund (Trial) was formally printed and issued.

13. On February 3, 2008, Mr. Shang Fulin, Chairman of CSRC, Mr. Zhuang Xinyi, Vice Chairman of CSRC, and Mr. Liu Xinhua, Assistant Chairman of CSRC, visited SIPF to express season's greetings to its staff.

14. During February 16-23, 2008, Director Ma Donghao visited Australia to investigate the operation mechanism and information building of Securities Trading Guarantee Fund.

15. On February 21, 2008, Chairman Chen Gongyan convened and presided over the fifth meeting of the five-member coordination team of risk disposition of securities companies, to study review of fees of intermediary agencies and the acquisition of personal creditor's rights of seven companies, including Hebei Securities.

16. On February 22, 2008, SIPF handled the declaration of creditor's rights against Deheng Securities.

On the same day, SIPF attended the first creditors' meeting held by Min'an Securities and was appointed the chairman of the meeting.

17. On February 27, 2008, SIPF handled the declaration of creditor's rights against Tiantong Securities.

18. On February 28, 2008, SIPF attended the first creditors' meeting held by Deheng Securities.

On the same day, SIPF completed the financial audit for 2007.

19. On February 29, 2008, Chairman Chen Gongyan convened and presided over the sixth meeting of the five-member coordination team of risk disposition of securities companies, to study the acquisition of personal

creditor's rights of four companies, including Deheng Securities.

On the same day, SIPF held the first meeting of creditor committee of Zhongguancun Securities.

On the same day, SIPF convened and presided over the second creditors' meeting of Kunlun Securities, which reviewed and adopted the plan on distribution of bankrupt property of Kunlun Securities.

20. On March 4, 2008, SIPF handled the declaration of creditor's rights against Gansu Securities.

21. On March 5, 2008, SIPF held the first board meeting for 2008, to review the accounting system, post-leaving audit report on Director Liu Shi'an, financial revenue and expenditure report and financial statement audit report for 2007, financial revenue and expenditure budget report for 2008, and PBC re-lending repayment plan, and study the staff welfare project, computer room management system, investor confidence index preparation work, annual report and monthly report preparation methods and investor manual preparation plan, etc.

22. On March 10, 2008, SIPF participated in the joint-stock reform of Harbin Pharmaceutical Group and expressed opinions on the reform plan.

23. On March 15, 2008, SIPF joined United Securities Co., Ltd. and AIG-Huatai Fund Management Co., Ltd. in sponsoring the "2008 Large-scale Investor Education Public Benefit Reporting Conference" in Beijing.

24. On March 17, 2008, the Summary of Performance in 2007 and Focus of Work in 2008 of Protection Fund Company was formally printed and issued.

25. On March 18, 2008, Chairman Chen Gongyan convened and presided over the seventh meeting of the five-member coordination team of risk disposition of securities companies, to study the problematic accounts and acquisition of personal creditor's rights of six companies, including Deheng Securities.

26. On March 28, 2008, SIPF participated in the first creditors' meeting of China Fortune Securities and was named as the chairman of the meeting and the member of the creditor committee.

27. On March 31, 2008, SIPF held the "Release and Summary Conference for China Securities Investor Comprehensive Survey in January 2008" in Beijing.

28. On April 1, 2008, according to the independently developed China Securities Market Investor Confidence Index Preparation Plan and relying on the China Securities Investor Protection Web, SIPF made the monthly securities investor confidence investigation and prepared investor confidence index for the first time. On April 22, SIPF submitted the Securities Investor Confidence Investigation and Analysis Report for April 2008 to CSRC.

On the same day, SIPF participated in the fifth meeting of creditor committee of Southern Securities to review and vote on the matters regarding asset disposal.

29. On April 8, 2008, SIPF handled the declaration of creditor's rights against Tianyi Securities and Wuhan Securities.

30. On April 11, 2008, SIPF attended and presided over the first meeting of creditor committee of Wuzhou Securities to review and vote on related matters.

31. On April 18, 2008, SIPF attended and presided over the first meeting of creditor committee of Tianqin Securities to review and vote on related matters.

32. On April 22, 2008, SIPF attended the first creditors' meeting of Tianyi Securities, Gansu Securities and Hengxin Securities, and was elected as member of their creditor committees.

33. On April 25, 2008, SIPF attended the first creditors' meeting held by Deheng Securities and was appointed the member of the creditor committee.

34. On April 27, 2008, the Collection of Outstanding Papers on Securities Investor Protection was formally published.

35. On April 28, 2008, Chairman Chen Gongyan presided over the eighth meeting of the five-member coordination team of risk disposition of securities companies to study the demonstration of problematic accounts of securities companies, including Deheng Securities, and safeguard stability.

36. On April 30, 2008, the Research Report on Series of Subjects on Securities Investor Protection (Volumes 1-10) was formally published by China Financial and Economic Publishing House.

37. On May 4, 2008, SIPF carried out "Securities Investor Confidence Survey for May 2008", and submitted the Securities Investor Confidence Survey and Analysis Report for May 2008 to the CSRC on May 25th.

38. On May 7, 2008, SIPF attended the first creditors' meeting held by Tiantong Securities and was appointed the member of the creditor committee.

39. On May 19, 2008, SIPF donated RMB8 million to the earthquake-stricken areas.

40. On May 20, 2008, the Study of Legal Framework on Securities Investor Protection Fund was printed.

41. On May 21, 2008, SIPF held the second board meeting for 2008, and Mr. Gao Weibing, Vice Director of Personnel and Education Department of CSRC, announced the decision on change of the position of Director Liu Suyi.

42. On May 22, 2008, SIPF handled the declaration of creditor's rights against Xinjiang Securities.

43. On May 23, 2008, SIPF attended the first meeting of the creditor committee of China Fortune Securities to review the disposal of creditor's rights and assets.

On the same day, SIPF attended the first creditors' meeting held by Wuhan Securities and was appointed the chairman of the meeting.

44. On May 25, 2008, the Rules of China Securities Investor Protection Fund on Disposal of Foreclosed Securities Assets (Trial) were promulgated and implemented.

45. On May 26, 2008, SIPF completed the audit and inspection of the use of funds deposited in the designated account of Xinhua Securities, and submitted related audit and inspection reports to the Risk Office of CSRC.

46. On May 29, 2008, SIPF attended the first creditors' meeting of Xinjiang Securities and was appointed the chairman of the meeting and the member of the creditor committee.

47. On May 31, 2008, SIPF's equity financing of RMB100 million in its controlled subsidiary - Huazheng Puhui Information Company was approved by MOF.

On the same date, SIPF started to prepare the Investor Manual.

48. On May 31, 2008, according to the Notice on Further Giving Play to the Dominant Role of Party Organizations, Vanguard Role of Cadres and Exemplary Role of Party Members in Combat against Earthquake and Disaster Relief, all employees of SIPF donated RMB16,000 in the name of the trade union,

and the Party members of SIPF and its subsidiaries, as well as Essence Securities Company, donated RMB867,000 in the form of "special membership dues". Moreover, SIPF donated RMB200,000 to CSRC Sichuan Office for disaster relief.

49. On June 1, 2008, SIPF carried out "Securities Investor Confidence Survey for June 2008" and the "China Securities Investor Comprehensive Survey and Growth Enterprise Market Special Survey for June 2008", and submitted the Securities Investor Confidence Survey and Analysis Report for June 2008 to the CSRC on June 23rd.

50. On June 2, 2008, SIPF decided to establish China Securities Investor Call Center (Legal Department) and Survey Center (Information Statistics Department).

51. On June 6, 2008, SIPF attended the third meeting of the creditor committee of Zhongke Securities to discuss the distribution of bankrupt property and review the property disposal.

On the same day, SIPF submitted a Request for Instructions on Settlement and Clearing of Securities Companies for 2007 and Payment of Protection Fund for 2008 to the CSRC, and charged overdue fines, for the first time, against three securities companies in default.

52. On June 10, 2008, Mr. Chen Gongyan presided over the ninth meeting of the five-member coordination team for risk disposition of securities companies to study acquisition of personal creditor's rights, definition of problematic accounts and related issues.

53. On June 11, 2008, SIPF attended and presided over the first meeting of creditor committee of Hantang Securities to review asset disposal.

54. On June 23, 2008, SIPF handled the declaration of creditor's rights against Xing'an Securities.

55. On July 1, 2008, SIPF carried out "Securities Investor Confidence Investigation for July 2008", and submitted the Securities Investor Confidence Investigation and Analysis Report for July 2008 to the CSRC on July 24th.

56. On July 3, 2008, SIPF utilized funds raised from the market to acquire personal creditor's rights and customer trading settlement fund gap of Tiantong Securities for the first time.

On the same day, SIPF attended and presided over the second creditors' meeting of Zhongke Securities to review and adopt the bankruptcy distribution plan of Zhongke Securities.

57. On July 14, 2008, MOF and State Administration of Taxation issued the Supplementary Notice on Relevant Tax Issues of China Securities Investor Protection Fund.

58. On July 17, 2008, SIPF set up the Disciplinary-Supervisory Office.

59. On July 18, 2008, China Securities Investor Call Center and Investigation Center formally started operation, and SIPF held an opening ceremony and made a road show via the website www.p5w.net.

On the same day, SIPF smoothly wound up the "2007 Stock Market • Stories" investor product collection with award, held an award ceremony and made a road show via the website www.p5w.net.

60. On July 21, 2008, with the approval of CSRC, SIPF exempted eight securities companies in earthquake-stricken areas from securities investor protection fund for 2008.

61. On July 29, 2008, the ceremony for signing the memorandum of understanding on securities investor protection cooperation between SIPF and Canadian Investor Protection Fund was successfully held in Beijing in the presence of Mr. Zhuang Xinyi, Vice Chairman of CSRC, and Mr. Tong Daochi, Director of International Department of CSRC.

On the same day, the management of SIPF attended the interim National Securities and Futures Regulation Conference.

62. From July 31 to August 1, 2008, the international seminar with the theme of "development and improvement of China securities market investor protection system" was held in Hohhot, Inner Mongolia. Vice Chairman of CSRC Zhuang Xinyi attended and addressed at the meeting, and Mr. Wu Lijun, Director of Personnel and Education Department of CSRC, also participated in the meeting. Mr. Chen Gongyan, Chairman of SIPF, Mr. Zhang Yujun, General Manager of Shanghai Stock Exchange, and Ms. Song Liping, General Manager of Shenzhen Stock Exchange, delivered address at the meeting.

63. SIPF conducted Securities Investor Confidence Survey for August 2008 on August 4, 2008, and submitted the Securities Investor Confidence Survey and Analysis Report for August 2008 to the CSRC on August 25.

64. On August 15, 2008, SIPF attended and presided over the first creditors' meeting and the meeting of the chairman committee of China Eagle Securities Co., Ltd., discussing and adopting seven resolutions.

65. On August 21, 2008, SIPF, in the capacity of a shareholder, analyzed the joint-stock reform of Harbin Pharmaceutical Group, cast a vote via internet, and expressed opinions on the voting of Southern Securities liquidation team.
66. On August 29, 2008, SIPF attended and presided over the first meeting of creditor committee of Xinjiang Securities, and voted on related matters.
67. SIPF conducted the "Securities Investor Confidence Survey for September 2008" on September 1, 2008, and submitted the Securities Investor Confidence Survey and Analysis Report for September 2008 in the form of a special report to the CSRC on September 26.
68. On September 11, 2008, SIPF signed a memorandum with the Fund Department of CSRC and the Securities Association of China for the cooperation on fund sales consulting and complaint matters.
69. On September 24, 2008, the Provisional Measures of China Securities Investor Protection Fund on Budget Management was promulgated and implemented.
70. On September 25, 2008, SIPF held the "Questionnaire Lottery and Summary Conference for China Securities Investor Comprehensive Survey in June 2008" in Beijing.

On the same day, SIPF attended the meeting of the first creditor committee of Tiantong Securities and handled the declaration of creditor's rights against Minfa Securities.
71. On September 30, 2008, China Securities Investor Protection Expert Committee was set up.
72. SIPF carried out "Securities Investor Confidence Survey for October 2008" on October 6, 2008, and submitted the Securities Investor Confidence Survey and Analysis Report for October 2008 to the CSRC on October 28th.
73. On October 8, 2008, SIPF held a mobilization meeting and formally launched the activity of deeply learning and practicing scientific concept of development.
74. On October 16, 2008, SIPF held a symposium on China securities investor investigation, and representatives of related departments of CSRC, specialized investigation institutions and 13 securities companies, including Galaxy Securities, attended the meeting. The meeting summarized the experience and deficiencies of previous investor investigation, studied the feasibility of setting up a nationwide investor investigation network, and further improved the securities market monitoring and projection mechanism.
75. On October 23, 2008, SIPF handled the declaration of creditor's rights against Huaxia Securities.
76. During October 23-24, 2008, SIPF's leaders participated in the symposium on regulated development of national securities companies.
77. During October 26-27, 2008, SIPF provided training on in-depth learning and practice of scientific concept of development to all employees and the executives of Essence Securities in Beijing, and invited Mr. Han Kang, Vice President of China National School of Administration to present a report "Analysis of China's Macro-economy and Policy".
78. On October 31, 2008, Chairman Chen Gongyan presided over the 10th meeting of five-member coordination team for risk disposition of securities, to study and discuss the personal creditor's rights and acquisition of problematic accounts of such companies as Deheng Securities, definition of mixed accounts and acquisition process, audit and inspection of dormant accounts and single fund accounts, as well as inspection and treatment of PBC re-lending.
79. SIPF carried out the "Securities Investor Confidence Survey for November 2008" on November 1, 2008, and submitted the Securities Investor Confidence Survey and Analysis Report for November 2008 to the CSRC on November 20th.
80. On November 5, 2008, SIPF attended the second meeting of creditor committee of Zhongguancun Securities for 2008, and heard the management work report, work plan and management remuneration payment plan.
81. On November 12, 2008, SIPF attended the second creditors' meeting of Tiantong Securities, heard the work report of bankruptcy manager, and reviewed the bankrupt property appraisal plan and bankrupt property distribution plan.
82. On November 17, 2008, SIPF attended the first creditors' meeting of Huaxia Securities and was appointed the chairman of the meeting and the member of the creditor committee.
83. From November 19 to December 14, 2008, SIPF launched the "China Securities Investor Comprehensive

Survey and Special Survey of Margin Trading and Short Selling for December 2008”.

84. On November 27, 2008, SIPF attended the sixth creditors' meeting of Southern Securities in the capacity of Chairman, to review the bankrupt property distribution plan and revised plan on bankrupt property disposal.
85. On December 6, 2008, SIPF attended the first creditors' meeting of Minfa Securities and was appointed the chairman of the meeting and the member of the creditor committee.
86. On December 9, 2008, SIPF attended the second creditors' meeting of Hantang Securities, heard the work report of bankruptcy manager, scrutinized creditors' rights, and reviewed the bankrupt property distribution plan.
87. On December 10, 2008, SIPF utilized funds raised from the market to repay principal of PBC re-lending for the first time.

The first meeting of China Securities Investor Protection Expert Committee was held on the same day.

88. On December 11, 2008, SIPF held a democratic life meeting and year-end work report meeting attended by the management. Mr. Zhuang Xinyi, Vice Chairman of CSRC, Mr. Gao Weibing, Deputy Director of Personnel and Education Department of CSRC, and Mr. Song Bai, Leader of No.5 Guidance and Inspection Team on Learning and Practice of Scientific Concept of Development of CSRC, were also present at the meetings. Mr. Gao Weibing announced the decision on the directorship of Mr. Ge Weiping.
89. SIPF carried out the “Securities Investor Confidence Survey for December 2008” on December 15, 2008, and submitted the Securities Investor Confidence Survey and Analysis Report for December 2008 to the CSRC on December 30.
90. On December 19, 2008, SIPF attended the second meeting of creditor committee of Tianyi Securities, heard the work report of bankruptcy manager, discussed and adopted the procedural rules for creditor committee, and reached an agreement on repurchase of house property.
91. On December 26, 2008, SIPF attended the second meeting of creditor committee of Deheng Securities, heard work report of manager, and discussed the topics such as remuneration of manager and asset disposal.

92. On December 30, 2008, SIPF completed audit and inspection of the dormant accounts and single fund accounts of 23 disposed securities companies, and the use of appropriated protection fund by 22 disposed securities companies.

On the same day, SIPF participated in the first meeting of creditor committee of Minfa Securities and reached an agreement on such topics as Shanghai Zhengcheng case.

On the same day, SIPF also held the “Lottery Ceremony for China Securities Investor Comprehensive Questionnaire for December 2008” in Beijing.



6.1 Relevant Policies, Laws and Regulations Promulgated by the End of 2007 (List)

1. Opinions on Acquisition of Personal Creditor's Rights and Customer Securities Trading Funds

(Jointly promulgated by the PBC, MOF, CBRC and CSRC in October 2004)

2. Implementation Measures on Acquisition of Personal Creditor's Rights and Customer Securities Trading Funds

(Jointly promulgated by the PBC, MOF, CBRC and CSRC on January 28, 2005)

3. Measures for the Administration of Securities Investor Protection Funds

(Jointly promulgated by the CSRC, MOF, and PBC on June 30, 2005)

4. Circular of the PBC, MOF, and CSRC on the Issues Relating to Acquisition of Personal Creditor's Rights and Customer Securities Trading Funds of Securities Companies

Z.J.F [2005] No.59 (Promulgated on June 30, 2005)

5. Circular on Printing and Distributing the Measures for the Administration of Application and Use of Securities Investor Protection Funds (For Trial Implementation)

Zh.J.F. [2006] No.20 (Promulgated on March 7, 2006)

6. Circular on Printing and Distributing the Measures of China Securities Investor Protection Fund for the Administration of Compensated Creditor's Rights (For Trial Implementation)

Zh.J.F. [2006] No.48 (Promulgated on May 17, 2006)

7. Circular Announced by the PBC, MOF, CBRC and CSRC on Supplementary Notice Concerning the Issues Relating to Acquisition of Personal Creditor's Rights

Y.F. [2006] No.189 (Promulgated on June 2, 2006)

8. Circular on Relevant Issues Concerning Payment of Securities Investor Protection Funds

Zh.J.F. [2006] No.78 (Promulgated on July 12th, 2006)

9. Circular of Ministry of Finance and State Administration of Taxation on Stamp Tax for Securities Investor

Protection Funds

(C.Sh. [2006] No.104, promulgated by State Administration of Taxation and Ministry of Finance on August 3, 2006)

10. Circular of Ministry of Finance and State Administration of Taxation on Business Tax for Securities

Investor Protection Funds

(C.Sh. [2006] No.172, promulgated by State Administration of Taxation and Ministry of Finance on December 13, 2006)

11. Circular of Ministry of Finance and State Administration of Taxation on Relevant Tax Issues of China Securities Investor Protection Fund.

(C.Sh. [2006] No.169, promulgated by State Administration of Taxation and Ministry of Finance on December 22, 2006)

12. Circular on Printing and Distributing the Measures for the Administration of Special Audit of Personal Creditor's Rights and Customer Securities Trading Funds (For Trial Implementation)

Zh.B.F. [2006] No.31 (Promulgated on May 22, 2006)

13. Rules of the Supreme People's Court on the Managers Designated for Judgment of Enterprise Bankruptcy Cases

F.Sh. [2007] No.8, adopted at the 1422nd meeting of the Judicial Committee of the Supreme People's Court on April 4, 2007 (Promulgated on April 12, 2007)

14. Rules of the Supreme People's Court on the Remuneration of the Managers Designated for Judgment of Enterprise Bankruptcy Cases

F.Sh. [2007] No.9, adopted at the 1422nd meeting of the Judicial Committee of the Supreme People's Court on April 4, 2007 (Promulgated on April 12, 2007)

15. Rules of the Supreme People's Court on Some Issues Concerning the Laws Applicable to Enterprise Bankruptcy Cases that Have not Been Decided when the Enterprise Bankruptcy Law of the People's Republic of China Starts Trial Implementation

F.Sh. [2007] No.10, adopted at the 1425th meeting of the Judicial Committee of the Supreme People's Court on April 23, 2007 (Promulgated on April 25, 2007)

16. Circular on properly Handling Risk Disposition of Securities Companies

Zh.J.F. [2007] No.12 (Promulgated on January 10, 2007)



17. Circular on Printing and Distributing the Implementation Measures for the Payment of Securities Investor Protection Funds by Securities Companies (For Trial Implementation)

Zh.J.F. [2007] No.50 (Promulgated on March 28, 2007)

18. Circular on Opinions Concerning the Handling of Related Issues of Administrative Liquidation of Securities Companies

Zh.J.B.F. [2007] No.56 (Promulgated on June 18, 2007)

19. Circular on Printing and Issuing the Guidelines for the Form and Content of Special Audit Report on Customer Securities Trading Settlement Fund and the Guidelines for the Form and Content of Special Audit Report on Personal Creditor's Rights

Zh.B.F. [2007] No.45 (Promulgated on April 3, 2007)

20. Circular on Printing and Distributing the Internal Process of China Securities Investor Protection Fund for the Declaration of Compensated Creditor's Rights (For Trial Implementation)

Zh.B.F. [2007] No.93 (Promulgated on October 22, 2007)

21. Circular on Printing and Issuing the Guidelines of China Securities Investor Protection Fund for Asset and Liability Liquidation Audit and Inspection Plan (For Trial Implementation) and the Guidelines of China Securities Investor Protection Fund for the Form and Content of Asset and Liability Liquidation Audit and Inspection Report (For Trial Implementation)

Zh.B.F. [2007] No.97 (Promulgated on October 29, 2007)

22. Circular on Printing and Distributing the Regulations of China Securities Investor Protection Fund Governing Intermediary Agencies (For Trial Implementation)

Zh.B.F. [2007] No.122 (Promulgated on December 27, 2007)

6.2 Relevant Policies, Laws and Regulations Released in 2008 (List)

23. Regulations on Risk Settlement of Securities Companies

PRC State Council Order No.523 (Promulgated on April 23, 2008)

24. Notice of the Ministry of Finance, China Securities Regulatory Commission, the National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission on Printing and Distributing the Basic Standard for Enterprise Internal Control

C.K. [2008] No.7 (Promulgated on May 22, 2008)

25. Supplementary Notice of Ministry of Finance and State Administration of Taxation on Relevant Tax Issues of China Securities Investor Protection Fund

C.Sh. [2008] No.78 (Promulgated on July 14, 2008)

26. Circular on Further Regulating the Dormant Accounts of Disposed Securities Companies

Zh.J.F. [2008] No.24 (Promulgated on April 8, 2008)

27. Circular on Properly Handling the Account Management of Disposed Securities Companies

Zh.J.F.X.B. [2008] No.108 (Promulgated on October 6, 2008)

28. Circular on Printing and Issuing the Guidelines on Finishing Administrative Clear-up of Disposed Securities Companies

Zh.J.F.X.B. [2008] No.113 (Promulgated on December 17, 2008)

29. Circular on Printing and Issuing the Guidelines on Inspection of Protection Fund Use by China Securities Investor Protection Fund (For Trial Implementation)

Zh.B.F. [2008] No.11 (Promulgated on February 1, 2008)

30. Circular on Printing and Issuing the Internal Management Process for Protection Fund Application and Appropriation (Revision)

Zh.B.F. [2008] No.172 (Promulgated on August 11, 2008)