

2009 ANNUAL REPORT



中国证券投资者保护基金有限责任公司
CHINA SECURITIES INVESTOR PROTECTION FUND CORPORATION LIMITED



SIPF
ANNUAL REPORT >
2009

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MESSAGE FROM
CHAIRMAN
OF THE BOARD OF
DIRECTORS





MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

In 2009, China's capital market weathered a severe test and sought after innovation and development in an adverse environment. Securities investor protection work also faced with challenges, but achieved remarkable results. Under the correct leadership of China Securities Regulatory Commission ("CSRC") and the great support of the Ministry of Finance ("MOF") and the People's Bank of China ("PBC"), China Securities Investor Protection Fund Corporation Limited ("SIPF") followed the scientific outlook on development, continued to liberate the mind, blazed new trails in a pioneering spirit, acted actively in line with the spirits of the National Securities and Futures Regulation Conference, and explored the establishment of new approaches and new mechanisms to protect the legitimate rights and interests of investors on the basis of properly disposing of risks arising from securities companies. Through efforts in the past year, SIPF has made obvious progress in expanding its corporate functions and successfully attained the preset objectives.

In 2010, SIPF will transform its investor protection mechanism from risk disposition to risk monitoring and prevention in light of the following basic guidelines: to further implement the scientific outlook on development, on the basis of properly disposing of risks arising from securities companies, continue to improve corporate management rules and regulations, enhance the functions and safe operation level of the corporate information system in a comprehensive way, actively explore new approaches and new mechanisms to effectively protect the legitimate rights and interests of investors, focus on the accelerated building of securities market transaction settlement fund monitoring system, eXtensible Business Reporting Language (XBRL) application system, investor protection status appraisal system and investor education and service system, and establish a relatively complete and regular investor protection mechanism combining "monitoring, appraisal and service".



MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

In the new year, in accordance with the functions and powers set in the Measures for the Administration of Securities Investor Protection Fund, SIPF will strictly implement China's acquisition policy, finish the acquisition of creditor's right of bankrupt securities companies except the dormant accounts and the single fund accounts, coordinate well with the courts for hearing bankruptcy cases of securities companies and complete the follow-up works of risk disposition. It will basically establish the securities market risk monitoring system and working mechanism, improve the securities market transaction settlement fund monitoring system and the XBRL Application System of CSRC, further improve the building of securities company public sentiment monitoring platform, continue to improve investor confidence indices and preparation methodology, reasonably develop and apply related databases, study and set up risk monitoring models and form a regular monitoring mechanism. It will further improve the investor protection status appraisal system of listed companies and securities companies, guide listed companies and securities companies to adopt suitable measures actively to protect the legitimate rights and interests of investors and give rise to a market mechanism of protecting the legitimate rights and interests of investors. It will explore the approaches of integrating investor education and service with securities market environment administration, market innovation, securities law enforcement and appropriate management of investors, strengthen the communication and interaction with investors, raise the quality of consulting service, reinforce investors' awareness for self-bearing risks and self-protection, create and enrich investor service methods, improve securities investor survey system, intensify special surveys on market hot issues and important measures concerning market development and establish a multi-tiered and all-around investor education and service system consisting of investor education, survey and service. It will strengthen the raise, use and



MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

management of the protection fund, continue to improve the policy system and working mechanism on raising protection fund, take initiatives to track and understand new measures and developments about international securities market investor protection, earnestly study cross-border investor compensation and protection measures and continue to promote international cooperation with securities investor protection organizations.

Action speaks louder than words. In 2010, SIPF will continue to pursue the management principle of being people-centered, further strengthen the staff's consciousness of opportunity, mindfulness of danger and sense of mission, gather strength with great energy, carry forward the working spirit of "seeking truth from facts and blazing new trails in a pioneering spirit", protect the investors properly and creatively, and contribute more shares to the healthy and sound development of capital market.

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

Chen Gongyan
Chairman Of The Board Of Directors



CORPORATE PROFILE

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

With the approval of the State Council, CSRC, MOF and PBC promulgated the Measures for the Administration of Securities Investor Protection Fund (the “Measures”) in June 2005, which provides for the establishment of a wholly state-owned protection fund company and 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 through the MOF. SIPF is subordinate to CSRC.

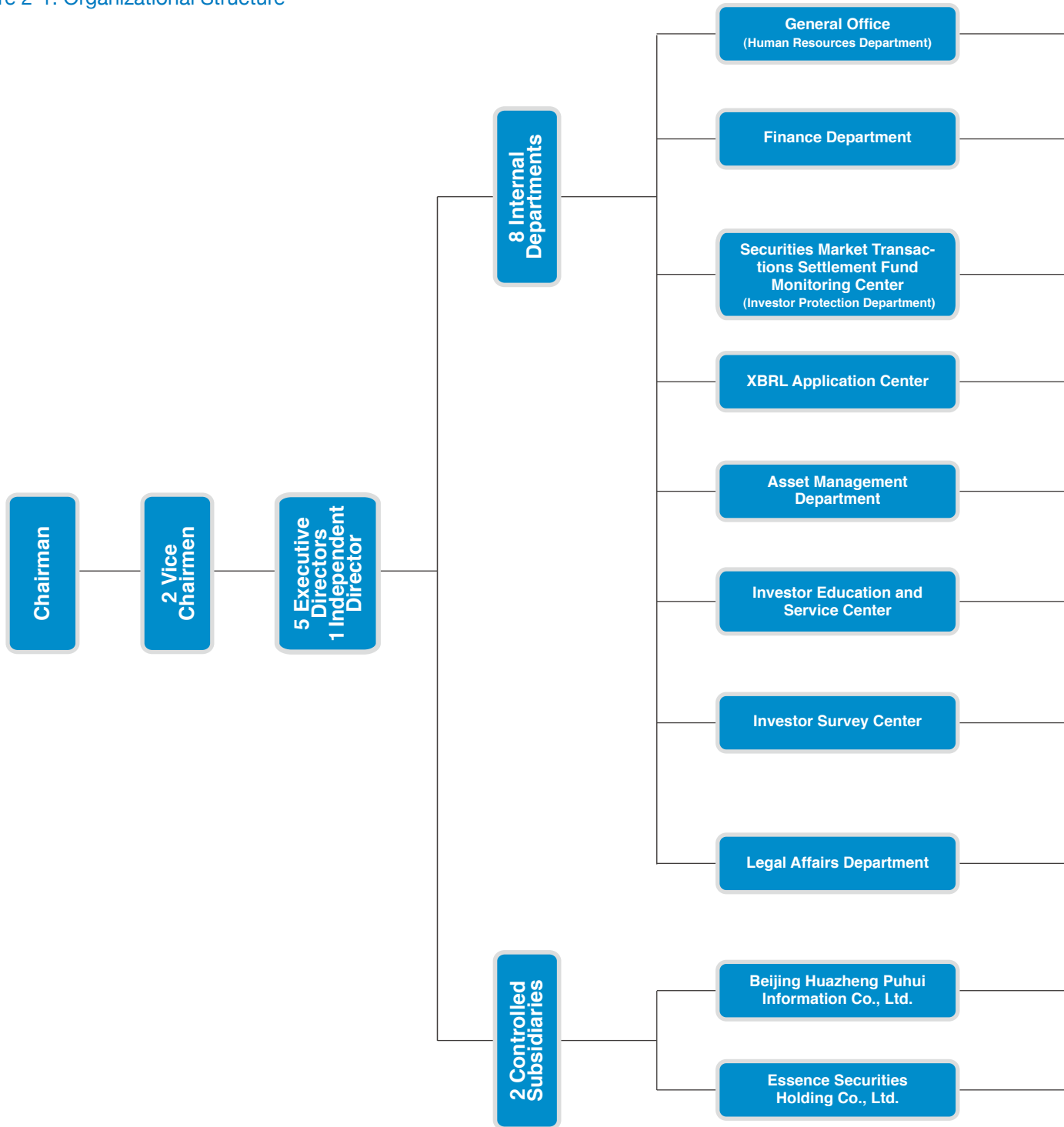
The Board of Directors of SIPF comprises nine directors. As the decision-making organ of SIPF, the Board is responsible for the operation and

management of the company. SIPF adopts independent operation, management and accounting in compliance with applicable laws and regulations of China. With a headcount of 58, SIPF has eight functional departments, including the General Office (Human Resources Department), the Finance Department, the Securities Market Transactions Settlement Fund Monitoring Center (Investor Protection Department), the XBRL Application Center, the Asset Management Department, the Investor Education and Service Center, the Investor Survey Center, and the Legal Affairs Department. SIPF also has two controlled subsidiaries: Essence Securities Co., Ltd. and Beijing Huazheng Puhui Information Co., Ltd. (please refer to Figure 2-1).



CORPORATE PROFILE

Figure 2-1: Organizational Structure





CORPORATE PROFILE

Be responsible for administrative affairs management, formulation of internal rules and regulations, human resources management, performance evaluation and training of staff, international exchange and cooperation, and publicity.

Be responsible for accounting and financial management of SIPF. Specifically, examine and supervise business activities of SIPF in accordance with the financial and accounting rules, prepare budget and final accounts, draft regulations for raising the protection fund, take part in formulating and implementing plans for the use of protection fund, formulate and implement plans for the repayment of PBC re-lending, coordinate relevant preferential tax policies for the protection fund, take charge of raising, management and operation of the protection fund, and manage the state-owned assets of SIPF and its controlled subsidiaries as required by competent authorities.

Be responsible for organizing and coordinating the establishment and maintenance of the Securities Market Transactions Settlement Fund Monitoring System, conducting daily management of the Monitoring System, performing data comparison, statistical analysis and monitoring issues briefing, developing plans for risk disposition of securities companies and plans for the use of protection fund, supervising and reviewing the use of protection fund, and organizing and participating in administrative clearing and bankruptcy liquidation of the disposed securities companies.

Be responsible for the development, maintenance, release and unified management of XBRL taxonomies, establishment and maintenance of XBRL information system, statistical and in-depth analysis of capital market XBRL data, and offering of data services and regulatory and disposal recommendations.

Be responsible for the management of proprietary funds and protection fund investment, declaration of compensated creditor's rights, and management of foreclosed assets. Also be responsible for providing assistance to administrative liquidation of the disposed securities companies, making researches and analysis on asset and liability status of the disposed securities companies, supervising the assets preservation and recovery of the disposed securities companies, reporting claims on behalf of SIPF or on behalf of other companies as an agent in accordance with applicable laws, and handling claims compensation to SIPF.

Be responsible for the overall planning, coordination and implementation of investor education and service, surveys on investor education status and requirements, inspection and assessment on effects of investor education and service, research and development of standard and stable investor education products, and matters related to the system of investor call and interaction platform.

Be responsible for carrying out nation-wide comprehensive survey of investors on a regular basis to monitor the composition, behavior model, mental attitude and intention of investors, conducting irregular special surveys of securities market to collect opinions of investors with a focus on institutional innovation and policies for overall development of the securities market, preparing and releasing investor confidence index to monitor changes in mental attitude and expectation of investors, preparing monthly and annual reports of SIPF, establishing and maintaining the securities investors survey network and the survey samples, and evaluating the investors protection based on investor surveys.

Be responsible for providing legal or compliance-oriented suggestions for business and management activities, examining contracts, taking part in negotiating and drafting material contracts, reviewing applications for using the protection fund, protecting trademarks, patents and other intellectual property of SIPF, participating in litigation, arbitration, administrative reconsideration, hearing and other activities under entrustment of the legal representative, facilitating legislation concerning securities investors protection and carrying out relevant researches.

Founded in Beijing on August 31, 2006, Beijing Huazheng Puhui Information Co., Ltd., a joint-stock company limited by shares, was sponsored and controlled by SIPF. The company is responsible for maintaining the China securities investor protection website and providing securities market information and technical services to investors.

Incorporated in Shenzhen on August 28, 2006 and with a registered capital of RMB1.51 billion, Essence Securities Holding Co., Ltd. is a joint-stock company jointly established by SIPF and Shenzhen Investment Holding Co., Ltd. under the approval of CSRC. Headquartered in Shenzhen, the company has 94 securities business departments and 32 securities service departments nationwide, with a headcount of over 2,000.



CORPORATE PROFILE

2.3 Major Functions

SIPF's major responsibility is to raise, manage and operate the 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 CSRC or 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 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 work with relevant authorities in establishing a rectification mechanism for the potential risks arising from operation of securities companies.

With a view to monitoring material risks which may damage investor interests and the safety of the securities market, on the basis of properly disposing of risks arising from securities companies, SIPF has been dedicated to build the securities market customer fund monitoring system and the data application system based on eXtensible Business Reporting Language (XBRL) to intensify risk monitoring of securities market. Furthermore, SIPF has actively carried out assessment on investor protection of securities companies and listed companies, taken efforts to establish a multi-layer investor education and service system which integrates investor education, investor survey and investor call, and preliminarily formed a regular work mechanism of investor protection combining monitoring, appraisal and service.



PERFORMANCE
IN 2009



PERFORMANCE IN 2009

In 2009, under the correct leadership of CSRC and with the great support of the MOF and PBC, all the staff of SIPF implemented the scientific outlook on development in a profound manner, liberated the mind, blazed new trails in a pioneering spirit, acted actively in line with the spirits of the National Securities and Futures Regulation Conference, and explored the establishment of new approaches and new mechanisms to protect the legitimate rights and interests of investors on the basis of properly disposing of risks arising from securities companies. Thanks to concerted efforts of all the staff, SIPF has basically attained the work objective specified in the Focus of Work of SIPF in 2009.

First, SIPF continued to dispose of risks arising from securities companies well in strict compliance with the state policies. To acquire the personal creditor's rights of disposed securities companies and fill up the gap of customers' securities trading and settlement funds by the state acquisition policies remained the fundamental duty of SIPF. In 2009, according to the Follow-up Arrangement for the Risk Disposition of Securities Companies (ZH.J.F.[2009] No. 40), SIPF strictly reviewed and appropriated the acquisition funds by acquisition policies on the premise that the application materials were complete and compliant and the accounts or creditor's rights were defined clearly. As at the end of December 2009, SIPF reviewed a total of 23 protection fund applications and appropriated RMB327 million, of which RMB211 million was appropriated to 113 creditors in 20 deals, and

RMB116 million appropriated in 3 deals to fill up the gap of customers' securities trading and settlement funds. So far, SIPF had made cumulative appropriations of the State's acquisition funds for the risk disposition of securities companies worth RMB22,160.9 million, of which RMB6,222.6 million was used to acquire the personal creditor's rights and the rest RMB15,938.3 million to fill up the gap of customers' securities trading and settlement funds. For the moment, due to the unified management of account clear-up reports, judicial freezing and deduction, screening by local governments and incomplete declaration materials of personal creditor's rights, there is still a gap of RMB220 million of securities trading and settlement funds of customers who fail to make acquisition applications to SIPF; the interests of securities trading and settlement funds accordingly amount to RMB153.5 million; there are 2.87 million dormant accounts (including the single fund accounts) involving RMB518 million, and the personal creditor's rights stand at RMB42 million. Among the 24 securities companies that were appropriated the acquisition funds of SIPF, the personal creditors reached more than 60,000 in number, while normal brokerage accounts approximated to 9.68 million (including 3.90 million dormant accounts). SIPF resolved the social conflicts effectively, as there was no mistake or overlapping about the appropriation of acquisition funds.

To study and demonstrate the problematic issues in the risk disposition of securities companies and solve the existing difficulties in the acquisitions



practicably is an important duty that is given by CSRC to SIPF. Now, the risk disposition of securities companies comes to its end, but a small number of complicated and thorny issues remain. As instructed by the leaders of CSRC, the Five-member Panel initiated by the major principals of SIPF held 4 conferences in 2009 to study and demonstrate mixed accounts, form and identification procedures of final version of account clear-up reports, calculation of gap interests, disposal of frozen or deducted customer funds, treatment of overdraft accounts and financing and funding accounts, management of administrative clear-up archives, special important works during the closing period, handling of problematic issues concerning Southern Securities and identification of personal creditor's rights, etc. As at the end of December 2009, SIPF held 14 Five-member Panel conferences, discussed and resolved 323 problematic accounts,

concerning 17 disposed securities companies and acquisition funds of RMB1,311 million. Among the funds, personal creditor's rights amounted to RMB783 million, concerning 250 creditors in 19 provincial administrative regions, and customers' trading and settlement funds amounted to RMB528 million. Thus, major problematic issues in connection with the risk disposition of securities companies have been resolved basically. Along with the finishing of risk disposition of securities companies and acquisition of creditor's rights, SIPF streamlined the execution of acquisition policy in the risk disposition of securities companies in an all-around way, launched earnest summarization, drafted and submitted the Report on the Execution of Acquisition Policy in the Risk disposition of Securities Companies by fully consulting the comments of the MOF, PBC, China Banking Regulatory Commission ("CBRC") and CSRC.



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To further participate in the bankruptcy liquidation and creditor's right compensation of securities companies in accordance with laws is a statutory duty of SIPF and also an important measure to minimize the loss of the State's acquisition funds. So far, all the 24 securities companies using the protection fund and 2 securities companies using the special fiscal funds (i.e. Southern Securities and Xinhua Securities) have entered the bankruptcy liquidation procedures and held the first creditors' meetings. SIPF was appointed to be chairman of such meetings of 19 bankrupt securities companies, and elected to be member of the creditors' committees of 23 securities companies. Some new problems arose from the management of compensated creditor's rights in the deepened course of bankruptcy liquidation, posing more difficulties. In order to summarize the information on bankruptcy liquidation of securities companies in time and push forward the course, SIPF studied assets disposition of bankrupt securities companies, collection of receivables, collection of false contribution by shareholders, review of creditor's rights difficult and important issues affecting bankruptcy liquidation of securities companies, and submitted the Suggestions on Addressing the Problems in Bankruptcy Liquidation of Securities Companies to CSRC, thereby accelerating the resolving of policy related issues in respect of judicial bankruptcy. Additionally, SIPF took initiatives to communicate and coordinate with bankruptcy acceptance courts and bankruptcy managers, guided the creditors to positively understand and

interpret risk disposition policy, assisted bankruptcy acceptance courts in case hearing, urged the managers to effectively deal with bankruptcy liquidation in accordance with laws, and ensured the administrative clear-up and judicial bankruptcy are consistent. In 2009, SIPF presided over or attended 35 creditors' meetings and creditors' committee meetings. It completed the declarations on the change of pre-declared creditor's rights into formal creditor's rights of companies including Tiantong Securities in a total amount of RMB357.4 million. It compensated RMB590 million in cash to companies including Wuhan Securities and set aside RMB211.3 million for pre-declared creditor's rights accordingly. As at the end of December 2009, SIPF had formally declared RMB24,942.2 million worth of creditor's rights to 26 securities company bankruptcy managers, of which principal of creditor's rights was RMB24,313.7 million with interest of RMB628.5 million, pre-declared creditor's rights were RMB5,874.7 million, compensated cash was RMB1,120.5 million. The compensated creditor's rights also included 8,474,964 shares of Hafei Aviation Industry Co., Ltd. and 32,625,414 shares of Harbin Pharmaceutical Group. All the compensated cash has been used to replenish the protection fund.

To carry out special inspection focusing on special accounts of protection fund and use of funds at large is an important method to guarantee the compliant use of protection fund. In 2009, SIPF initiated a comprehensive audit and inspection focusing on special accounts and use of protection



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fund over 24 disposed securities companies that had applied for the use of protection fund. As for the problematic issues found in this special audit and inspection, SIPF assisted the Risk Office of CSRC and the commissioner offices of Shanghai Stock Exchange (“SSE”) and Shenzhen Stock Exchange (“SZSE”) in urging competent administrative clear-up bodies to check the facts and deal with these issues. With respect to the follow-up work of the audit and inspection on dormant accounts and single fund accounts, SIPF assisted the commissioner offices of SSE and SZSE in instructing each administrative clear-up body to conduct sound inspection and rectification, and accepted the renewed reporting and filing of dormant account and single fund account data. So far, SIPF has obtained the inspection reports of 23 inspected companies and accepted the renewed reporting and filing of solidified data of dormant accounts of 17 of the above 23 securities companies. The readjusted solidified data of such companies, such as Xing’an Securities, have not been submitted yet. In 2009, in view of the rectification opinions from the PBC concerning relending inspection, SIPF actively requested the Risk Office of CSRC to coordinate with its dispatched agencies, administrative clear-up team and intermediary agencies to provide comprehensive cooperation for rectification. The Periodic Report about the Inspection of the People’s Bank of China on the Use of Protection Fund Relending and the Request on Further Implementation of the Inspection of the People’s Bank of China on the Use of Protection Fund Relending were submitted

to CSRC according to the audit and inspection, while the Report on the Inspection of Relending and Relevant Rectification was submitted to the Business Management Department of the PBC according to the administrative clear-up and rectification. The PBC fully appreciated the efforts that SIPF had made.

Second, SIPF actively widened its duties, improved the investor education and service system, and explored the building of a regular investor protection mechanism combining “monitoring, appraisal and service”. In 2009, the Board of Directors of SIPF made earnest research and opined that SIPF, as a standing institution, should have regularized duties. Therefore, SIPF proposed the basic thought for widening its duties and listed the building of a regular investor protection mechanism combining “monitoring, appraisal and service” as the focus of work in 2009. Based on the setup of Investor Survey Center, Investor Call Center and Investor Education Center in 2008, SIPF spent the whole year of 2009 in preliminarily shaping a prioritized, distinctive and pertinent investor education and service system and improved its capacity of serving the healthy development of capital market.

Market monitoring The financial crisis shows that the lack of highly transparent information disclosure mechanism and effective regulation will bring about unexpected huge risks to all capital market players including common investors. As the securities market operates based on information, to strengthen the pre-research and pre-judgment, the



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pre-forecast and pre-warning of market information and potential risks, and to explore the building of a scientific securities market monitoring and pre-warning mechanism serve as important measures for protecting the legitimate rights and interests of investors. First, after international financial crisis, SIPF has prepared the investor confidence index from April 2008 on a monthly basis in order to monitor the change of securities investor confidence and make pre-judgment of market situations as early as possible. In 2009, SIPF launched 12 surveys on investor confidence, prepared the investor confidence index and drafted the Special Report on Securities Investor Confidence Survey in light

of the survey data. The confidence index reflected well the market trend and the change of mindset of investors, and provided the reference for decision-making concerning guaranteeing smooth operation of securities market and coping with international financial crisis. Second, with aims to monitor the change of securities market funds, prevent against the embezzlement of customer funds, timely detect market manipulations and practicably protect the legitimate rights and interests of investors, under the unified arrangement of CSRC, SIPF completed the Implementation Plan on Securities Market Customer Fund Monitoring System of China Securities Regulatory Commission after one year's



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preparation, which was reviewed and approved by the CSRC Chairman's Working Conference in September 2009. The development of Securities Market Customer Fund Monitoring System Phase I has been implemented smoothly. The Securities Market Customer Fund Monitoring System is one of the supporting systems for securities regulation and its establishment can facilitate securities companies to adopt more effective measures to safeguard customer funds and enhance internal control level. Through monitoring and analyzing fund flow, the monitoring system can detect material changes of market funds in time and monitor risks on the securities market, thus adopting countermeasures to safeguard the legitimate rights and interests of investors. And third, for purposes of providing a more convenient, standard and comprehensive information consulting platform for the investors, improve their judgment upon the market and strengthen reasonable investment, SIPF completed the Plan on the Building of the XBRL Standardized Information Disclosure Application System of China Securities Regulatory Commission in September 2009 under the unified coordination of the MOF and as per the arrangement of CSRC. The development of data application system phase I based on the eXtensible Business Reporting Language ("XBRL") has been initiated. To apply the XBRL technology to build a centralized and unified interactive data center and a standardized reporting and submission, disclosure and monitoring platform of information for the securities market is an important fundamental work for enhancing the information disclosure

transparency of securities market and exploring the building of a new mechanism for protecting the legitimate rights and interests of investors and regulating the market.

Appraisal of investor protection status To appraise the investor protection status of securities market, learn about the satisfaction degree of investors with the protection status of their own rights and



interests and expose the codes of conduct of each market player to the public appraisal of the society are of great importance to enhance the initiatives of various players for investor protection and the protection quality. For this reason, a scientific appraisal and disclosure of investor protection status by each market player constitutes an important part of the investor protection mechanism. By building a appraisal system of securities market investor protection status, SIPF aimed to make a professional and systematic appraisal on the protection status of legitimate rights and interests of investors by such market participants as listed companies and securities companies, form a market-oriented



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behavior mechanism guiding each market player to take initiatives to protect the legitimate rights and interests of investors in addition to the administrative regulation of regulatory authorities and industrial restraint of self-discipline organizations, and finally effectively protect the legitimate rights and interests of investors by means of strengthened and voluntary restraint of their behaviors by each market player. A main part of the appraisal system of securities market investor protection status is to build a securities market investor protection indicator system. Now, it mainly appraises the investor protection status of listed companies and securities companies. First, listed companies function as the basis of the securities market so that their investor protection status is of top priority in terms of securities investor protection. SIPF has built an indicator system for the appraisal of listed companies' investor protection status consisting of their governance structure, information disclosure and operating activity with the investors' right to know about listed companies, right to get the return on investment and right to participate into decision-making as the core. In 2009, SIPF performed the first appraisal on listed companies' investor protection status and drafted the Report on the Appraisal of Listed Companies' Investor Protection Status (2009). According to the appraisal results, after unremitting efforts for a long period of time, especially thanks to a series of more stringent compulsory measures after the joint-stock reform including substantial shareholders' collective paying off debts, suppressing and cracking down on listed companies' infringing upon legitimate

rights and interests of investors, online voting upon the proposals of shareholders' general meetings as well as guiding and standardizing cash dividend distribution of listed companies, the overall level concerning listed companies' investor protection has been lifted a lot. However, listed companies were not initiative enough to protect rights and interests of small and medium investors. Instead, they just wanted to satisfy the basic compulsory requirements of laws and regulations and regulatory policies and were not so willing to enhance the investor protection standards and quality. Consequently, small and medium investors had a low satisfaction degree. And second, securities companies are the major intermediary agencies on the securities market and their investor protection status will influence the assets safety of investors and their confidence in the securities market directly. SIPF has built a tree indicator system consisting of investors' legitimate rights and interests with securities companies such as assets safety right, fair trading right, right to know about investment, independent choice right, litigation right for investment and bankruptcy compensation right in order to appraise securities companies' intent, ability, measures and effect with regard to investor protection. In 2009, SIPF performed the first appraisal of securities companies' investor protection status and surveyed the operation and management status of securities companies through the comprehensive information system for securities institution regulation ("CISP"). Based on the survey data and other data learnt from the CISP, the honesty archives system and the other



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channels, SIPF appraised the protection status of 104 securities companies in China and drafted the Report on the Appraisal of Securities Companies' Investor Protection Status (2009). According to the appraisal results, 11, 70, 19 and 4 securities companies were rated A, B, C and D respectively, accounting for 10.6%, 67.3%, 18.3 % and 3.8%. The results showed that a majority of domestic securities companies performed well in their investor protection work and the legitimate rights and interests of investors were guaranteed properly. The results also indicated that securities companies had improved their protection of investors' legitimate rights and interests obviously after the comprehensive treatment.

Investor education and service The development of China's securities market is on a fast track. An emerging market in transition decides that at this stage, China's securities market is largely unstable in terms of market environment and investor psychology. Therefore, to build a comprehensive investor education and service system becomes an inevitable choice for cultivating qualified investors and boosting sound market growth. Amid international financial crisis, in order to learn about the influences of policies and measures on investors and understand investor development, SIPF made various special surveys concerning CSRC's priorities and hot issues cared by investors, built an investor survey network involving 55 securities companies and 350 business departments with a survey specimen databank covering 28,000

investors, thereby greatly improving the scientific and practicable surveys. On the basis of investor surveys, SIPF launched nonprofit investor education pertinently and initiated the "Five Ones" Investor Education Project in 2009, including compiling a set of Investor Manuals, conducting an education project for investors of 100 business departments,



producing a nonprofit TV play themed with investor education, developing a set of software on investor education and convening a forum on securities investor protection. After unremitting efforts, SIPF has achieved good social results in terms of its nonprofit investor education. In the course of the financial crisis, SIPF attached special importance to investor complaints and consulting, established a smooth investor call response mechanism, and rendered timely service to investors to the best of its ability. Investor call was made mainly through China Securities Investor Protection website. From July 2008 to the end of December 2009, there were 12,896 investor calls. Among these, business and policy consulting calls numbered 2,801, accounting



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for 21.72% of total; suggestions numbered 3,210, accounting for 24.89% of total; criticisms, complaints and reports on offenses numbered 6,855, accounting for 53.16%; and the other calls numbered 30, accounting for 0.23%. SIPF replied 99.59% of all investor calls. A major part of investor calls were the most concerned by investors in market development and operation. As for the behaviors damaging legitimate rights and interests of investors found in these calls, SIPF actively transferred them to relevant CSRC departments and CSRC offices to coordinate their proper settlement.

Third, SIPF continued to raise, use and manage the protection fund properly. In 2009, SIPF further carried out the rules on the raising, use and management of protection fund in a strict manner. First, with respect to the fund raising process, SIPF



actively coordinated and implemented preferential tax policy on the collection of protection fund and urged securities companies to timely pay protection fund within the raising mechanism of “unified standard,





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dynamic management and differential charging”. SIPF succeeded in completing the protection fund payment of 106 securities companies for 2008 and protection fund prepayment of 105 securities companies for 2009, and finished the collection of trading brokerage of SSE and SZSE and interests of frozen subscription fund on a quarterly basis. SIPF raised RMB8,282 million worth of protection fund from the market during January to December 2009 and has accumulatively raised protection fund of RMB30,896 million altogether, providing a fund guaranty for smoothly launching risk disposition of securities companies and timely repaying the principals and interests of the PBC re-lending. Second, with respect to fund use, SIPF gave main consideration to the appropriation of acquisition funds and the re-lending repayment. As for the appropriation of protection fund, SIPF carried forward the principle of “management under specified accounts and closed operation” and followed the protection fund review process strictly to ensure the safety, timeliness and accuracy of protection fund appropriation in a down-to-earth manner. From January to December 2009, SIPF appropriated protection fund totaling to RMB327 million for 23 times to the liquidation institutions of 15 disposed securities companies with the funds raised from the market. As at the end of December, RMB734.6 million worth of funds raised from the market were used for risk disposition. The follow-up management of re-lending complied with the PBC re-lending operational procedures, followed the mechanism of “monthly extension, quarterly interest payment

and yearly principal payment”, and strengthened the coordination and communication with the Business Administration Department of the PBC on a regular basis. During January to December 2009, SIPF handled 50 re-lending contract extensions in total with an amount of RMB16,089 million. In the meanwhile, SIPF proactively implemented the re-lending repayment plan by timely repaying the re-lending. In June and November 2009, SIPF repaid a total of RMB5,193 million of principals of re-lending to the PBC in two times, involving 14 re-lending contracts of 13 disposed securities companies, and also paid a total of RMB338 million of interests of re-lending on a quarterly basis. As at the end of December 2009, SIPF had repaid RMB11,998 million of principals and RMB1,608 million of interests of re-lending to the PBC in an accumulative manner. And third, while ensuring the demand for and safety of liquidity, SIPF complied strictly with the investment scope set in the Measures for the Administration of Securities Investor Protection Fund, and followed the principle of “focusing on entrusted investment” to deal well with preservation and appreciation of protection fund. As at the end of December 2009, SIPF registered an income of RMB680 million from preservation and appreciation of protection fund.

Fourth, SIPF actively launched international cooperation and built a regular organizational structure for having cooperation and information exchange with international securities investor protection organizations. Since its founding, SIPF has held three international seminars successfully,



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and signed the Memorandum of Understanding on Securities Investor Protection Cooperation with Canadian Investor Protection Fund and Securities Investor Protection Corporation (“SIPC”), to form a long-term cooperative mechanism. In 2009, in addition to signing the MOU with SIPC, SIPF convened the “International Seminar on the Protection of Securities Investors amid the Financial Crisis”, inviting senior managers, experts and scholars of investor protection agencies in the United States, UK, Germany, Canada and Hong Kong to share and deliberate on new situations and new practices concerning investor protection against the background of international financial crisis. Through international cooperation, SIPF fully understood experience and lessons of mature capital markets about investor protection laws and regulations, risk

monitoring, investor education and service, providing a good reference for improving China’s securities investor protection system. In 2009, SIPF launched the China Securities Investor Protection English website, which built a new platform for international exchange and cooperation. The English website has such columns as Investor Services, Investor Protection Forum and Laws and Regulations to introduce the information on China’s securities market and operation of China securities investor protection fund to foreign investors. The successful launching of the English website will further expand the depth and width of investor service.

Fifth, SIPF continued to strengthen internal management and information system construction, providing a practicable guaranty for its development. The first is further improving the





PERFORMANCE IN 2009

internal management system. Since its founding, SIPF has been in pursuit of managing affairs and personnel by system. In 2009, in view of actual work needs, SIPF prepared 9 business management rules, revised 6 management rules, abolished 3 rules, emphasized the project accountability building, formulated the Project Administrative Measures and its Detailed Implementing Rules as well as the Contract Administrative Measures, and released the model commission contract, which further improved the scientific management of SIPF. The second is strengthening both financial accounting and management of subsidiaries. In 2009, SIPF refined the priorities of internal finance control, improved financial management process, strengthened financial self-inspection duties, beefed up financial management by focusing on budget management, and prepared the budget statement and relevant explanatory documents in strict accordance with the MOF rules, SIPF's Interim Measures on Budget Management and the "2009 Work Focuses" that were agreed by the MOF and PBC and approved by CSRC. What's more, SIPF strengthened the supervision of budget implementation progress, built the budget implementation accountability system and improved the scientific budget management and serious implementation. The MOF replied to SIPF's final accounts in 2008 and budget for 2009, reviewed and confirmed the implementation of expenditure. In 2009, SIPF further intensified the management of subsidiaries, and reviewed such matters about rights of contributors as major economic issues and capital increase of controlling

Essence Securities and Huazheng Puhui Information Co., Ltd. Besides, in order to fulfill the Notice of the Ministry of Finance on Relevant Issues concerning Compensation Management of Persons in Charge of Financial State-owned and State-owned Controlling Enterprises and relevant requirements of CSRC, SIPF reinforced the management of senior management compensation of Essence Securities and formulated the quantified indicators of the proportion of total annual salary against operating income of Essence Securities by reference to the industry reality, further improving cost management and control over Essence Securities. And the third is strengthening information system construction. In 2009, SIPF proceeded from important operations to improve informatization level, made active use of information technology to strengthen internal control, promote the organic mix of internal control process and information system, and realized automatic control of business processes. In the year, SIPF mainly completed the building of its English website and upgrading of its Chinese website, the connection of call system with the website and software and hardware upgrading as well as the construction and upgrading of automated office systems including business management system, archives management system, personnel appraisal system and staff satisfaction survey system. The key systems being built now include the securities market customer fund monitoring system, securities company basic information database system and XBRL application system.



PERFORMANCE IN 2009

In 2009, the Board of Directors of SIPF led all the staff to carry out the activities on studying and practicing the scientific outlook on development continuously. SIPF, in line with the unified arrangement of CSRC, earnestly prepared the rectification plan, concentrated on the resolving of prominent problems, improved rules and mechanism, and employed the public satisfaction as an important criterion to measure management effect. According to a survey, the overall satisfaction of staff reached 91% in 2009, higher than that of 89% in 2008. Of which, the satisfaction with the return on work (including material and spiritual return, growth and development, rewarding and punishment management, etc.) was 85%, the

satisfaction with the work background (including logistics guaranty and backup, work and rest system, work environment and work configuration, etc.) was 91%, the satisfaction with team work (including internal harmony, work method and style and staff quality, etc.) was 95%, and the satisfaction with the corporate management (including management mechanism, management style, rules and regulations and corporate culture, etc.) was 94%. Thanks to the support of relevant parties, SIPF made a good performance in poverty alleviation in the poor counties at the state level as entrusted by CSRC, and conducted education activities for the staff concerning national conditions, achieving good results.





PERFORMANCE IN 2009

The achievements of SIPF in 2009 are a result of hard efforts and dedication of all leaders and staff with vigorous supports of relevant parties. In 2009, the Board of Directors of SIPF led all leaders and staff to seek truth from facts, worked hard to go all out for exploring and building a regular investor protection mechanism after risk disposition of securities companies, and realized regulated development and business expansion satisfactorily. However, due to the restriction of subjective and objective conditions, a small part of works failed to attain the expected goals: the regular investor protection mechanism mixing “monitoring, appraisal and service” is still being explored with its scientificity and pertinence to be strengthened; the works of SIPF are not effectively connected with securities regulation yet; the investor education and service system is not finally shaped with its authority to be improved, while investor protection should develop in terms of its power, depth and width. For these weaknesses, SIPF will take effective measures to tackle them in the future.

The background is a blue-tinted collage. At the top, a pair of round-rimmed glasses rests on a map. Below the glasses, a white rectangular box with a drop shadow contains the text 'STATISTICAL FORMS'. The bottom half of the image shows a blurred financial data table with various numerical values and signs.

STATISTICAL FORMS

9799.00	+29.40	-0.00
5.50	+118.00	+0.70
	8.60	+1.22
	0.41	+0.24
		+0.01



4.1 Instructions on Indicators

- **Scope of statistics:** among the 31 securities companies disposed of since 2004, 24 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 and Liaoning Securities were directly re-lent by the PBC and SIPF did not need to provide the re-lending. Jianqiao Securities, Datong Securities, First Securities, Jutian 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 forms means 24 disposed companies relating to SIPF, excluding Southern Securities, Liaoning Securities, Jianqiao Securities, Datong Securities, First Securities, Jutian Securities and CIFCO Securities.

Southern Securities utilized central financial special fund of RMB1.5 billion for being disposed. On December 25, 2003, disposed Xinhua Securities utilized securities market special compensation fund of RMB259.6 million. The statistic data relating to disposed securities companies other than the above 24 securities companies were contained in the item of "Others" of related forms for reference.

- **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 intermediary agencies participating in the risk disposition.

- **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.
- **Amount unit:** except as otherwise provided herein, the amount unit should be RMB 100 million.
- **Customer securities trading settlement fund:** it means 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.
- **Personal creditor's right:** it means the creditor's right against a financial institution arising from input of funds by as 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.



STATISTICAL FORMS

- **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 right, 90% shall be borne by the central government, and the remaining 10% by the provincial governments in the places where 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.
- **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.
- **Appropriation of the 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.
- **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.
- **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,



STATISTICAL FORMS

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.

- **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.

- **Compensated creditor's right:** it means the creditor's right of the Company against disposed securities companies legally 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 pursuant to the related national policies and regulations, in case of dissolution, closure, bankruptcy, or administrative takeover or trustee operation as required by CSRC.

The compensation of financial special fund of RMB1,500 million utilized by Southern Securities was received by SIPF in replacement. And SIPF was entrusted to receive the compensation of securities market special compensation fund of RMB259.6 million utilized by Xinhua Securities.

- **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.
- **Deadline of statistics:** December 31, 2009.



STATISTICAL FORMS

4.2 Outline of Statistics

【Risk Disposition】

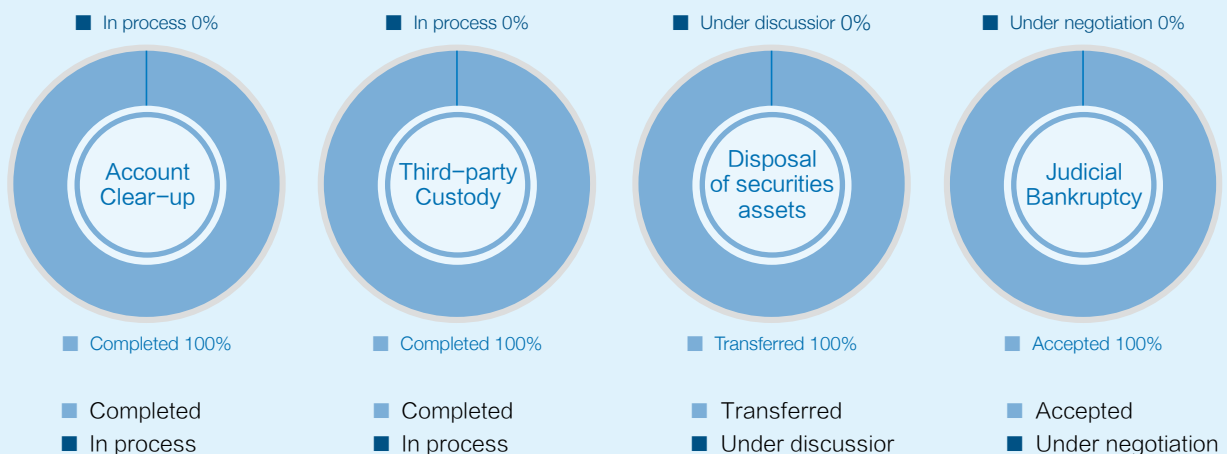
Account clear-up: by the end of 2009, a total of 24 disposed securities companies had completed the account clear-up, accounting for 100% of all disposed securities companies (24 companies, the same below).

Third-party custody: by the end of 2009, a total of 24 disposed securities companies had completed the third-party custody, accounting for 100% of all disposed securities companies. Among the 624 business departments of all the disposed securities companies, 624 departments had completed the disposal, accounting for 100% of the total.

Disposal of securities assets: by the end of 2009, the transfer of securities assets of the 24 securities companies had been completed.

Judicial bankruptcy: by the end of 2009, the judicial bankruptcy of 24 disposed securities companies (100% of the total) had been accepted by courts.

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

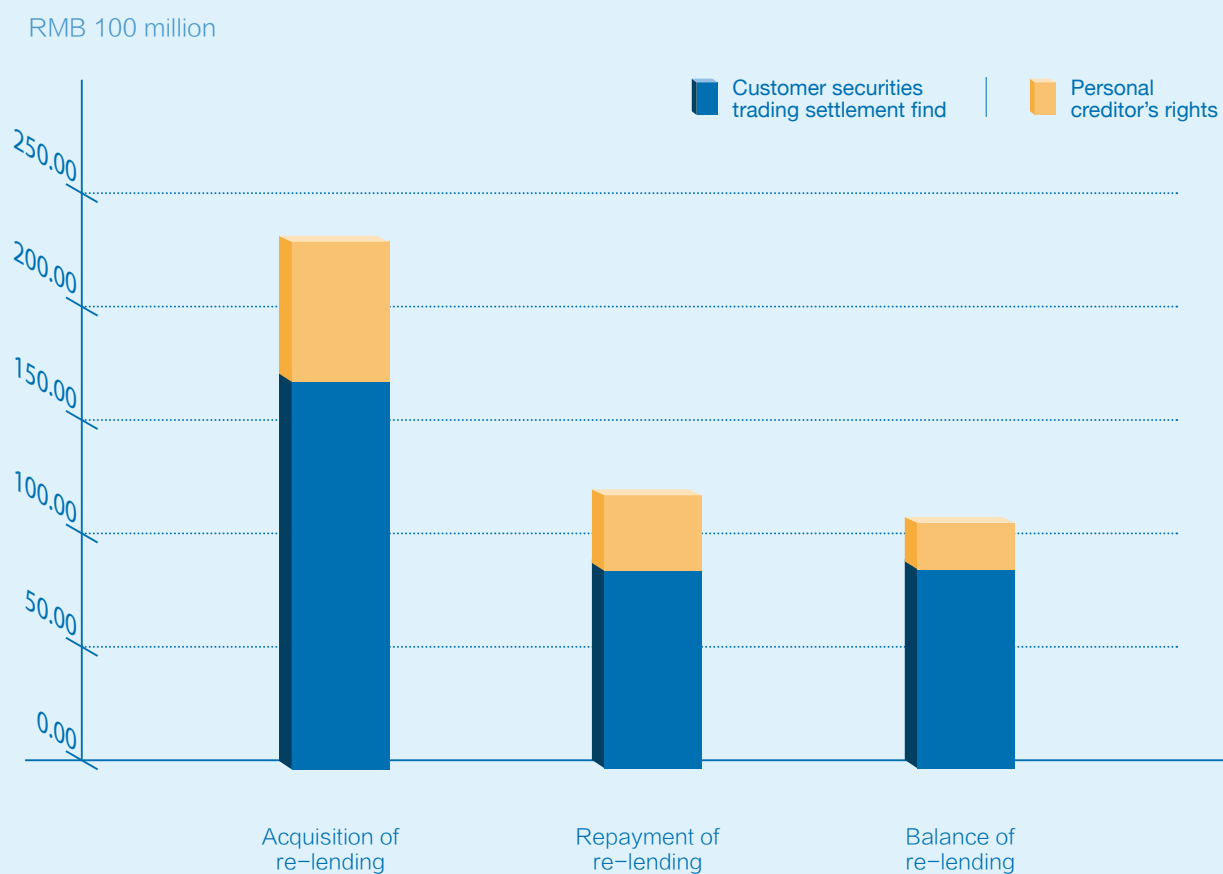




【Acquisition of Re-lending and Repayment】

By the end of December 2009, SIPF had acquired re-lending of RMB22,894.5 million, and accumulatively repaid RMB11,998.4 million in the principal of re-lending, accounting for 52.41% of total re-lending. The balance of principal of re-lending amounted to RMB10,896.1 million , accounting for 47.59% of total.

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



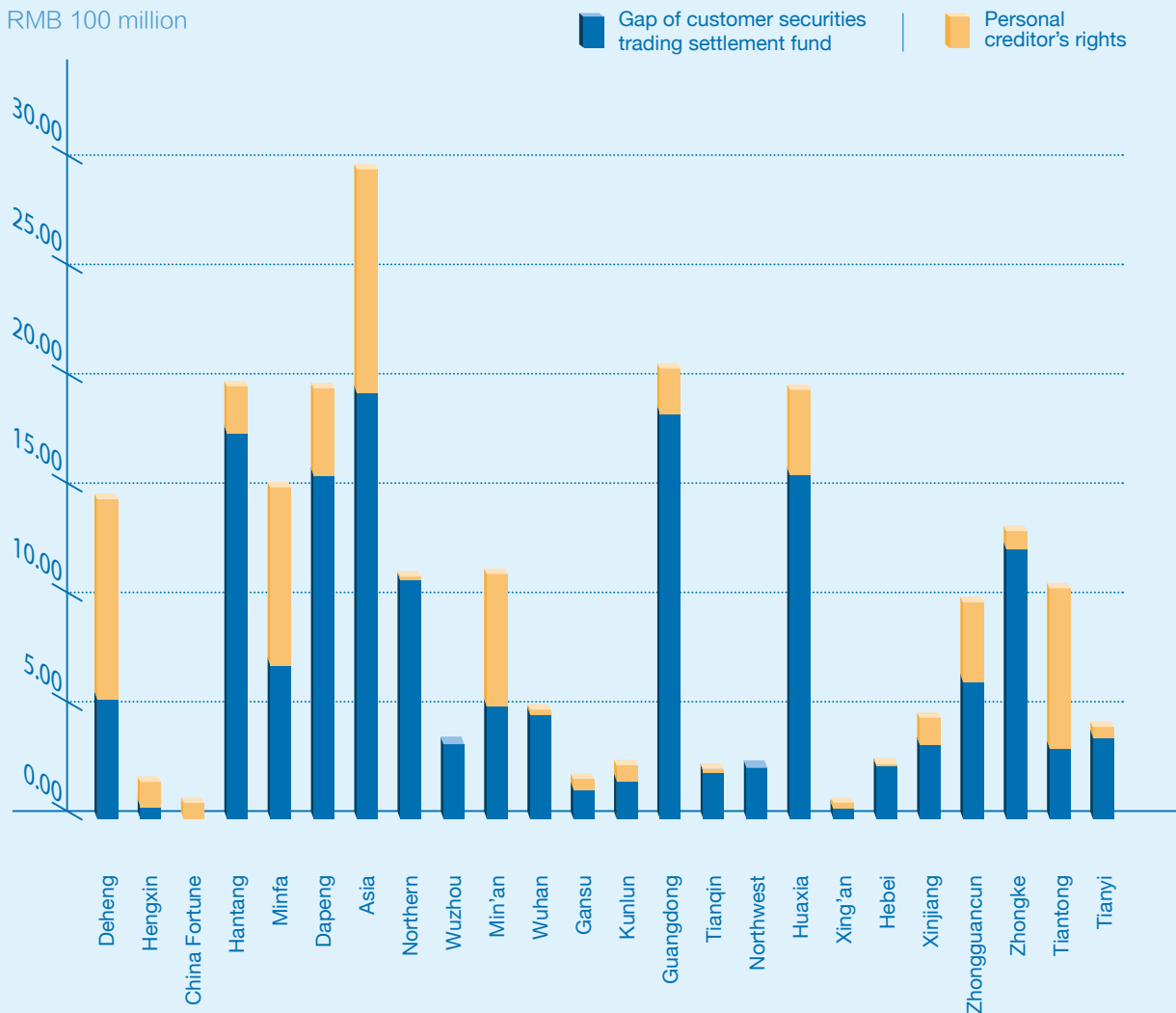


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【Appropriation of the Protection Fund】

By the end of December 2009, SIPF had appropriated protection fund of RMB22,160.9 million to 24 disposed securities companies, of which, RMB15,938.3 million or 71.92% was used to fill the gap of customer securities trading settlement fund, and RMB6,222.6 million or 28.08% was used to acquire personal creditor's rights.

Figure 4-3: Appropriation of the Protection Fund by SIPF





【Fund Raising and Use】

SIPF raised protection funds of RMB9,554.9 million in 2009, a year-on-year decrease of RMB1,791.2 million or 15.79%. Of which, trading brokerage was RMB2,851.8 million, accounting for 29.85%, fund paid by securities companies was RMB4,081 million, accounting for 42.71%, interest of frozen subscription fund was RMB1,349 million, accounting for 14.12%, and donation, interest, investment and compensation income were RMB1,273.1 million, accounting for 13.32%.

In 2009, SIPF utilized funds of RMB7,358 million, accounting for 77.01% of raised funds, of which, RMB327.2 million or 4.45%, was used to appropriate risk disposition fund, RMB338 million or 4.59% used to repay the interest of PBC re-lending, RMB5,192.8 million or 70.57% used to repay the principal of PBC re-lending and RMB1.5 billion or 20.39% used in expenditure on use of fund to invest in bonds.

Figure 4-4: Statistics of Protection Fund Raising

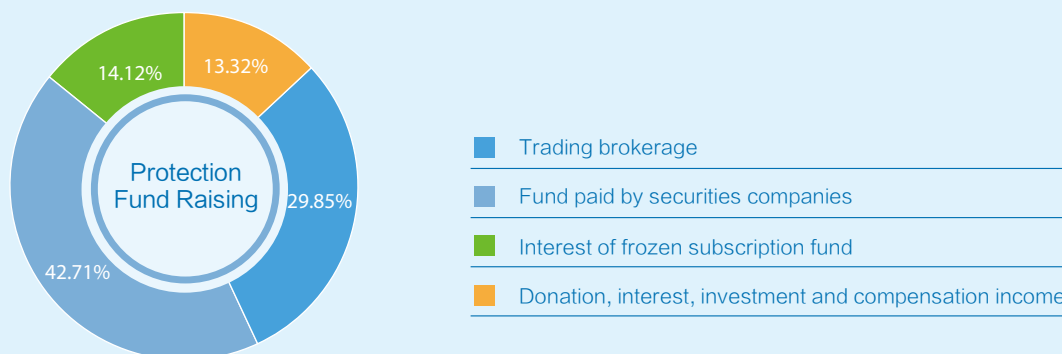
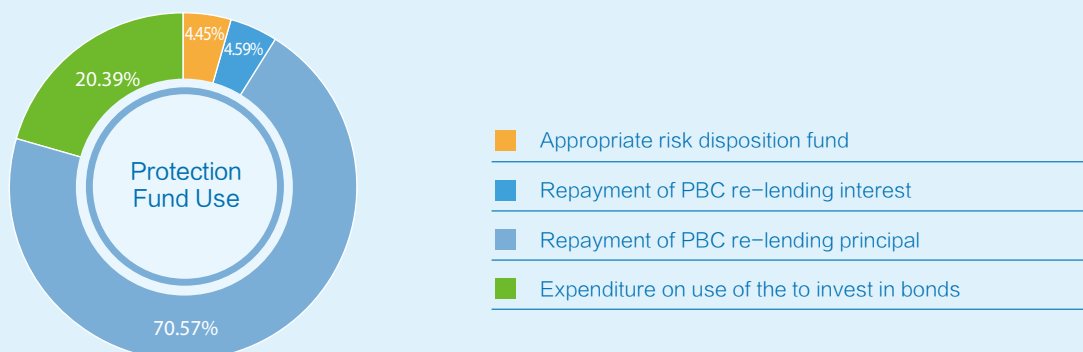


Figure 4-5: Statistics of the Protection Fund Use





STATISTICAL FORMS

【Compensated Creditor's Rights】

By the end of December 2009, 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 RMB24,942.2 million (including principal of RMB24,313.7 million and interest of RMB628.5 million), and that of pre-declared creditor's rights was RMB5,874.7 million.

【Compensation of Creditor's Rights】

By the end of December 2009, twelve securities companies had distributed bankrupt property. SIPF received compensation of RMB1,119.1 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, RMB287.8 million in cash was accordingly set aside. SIPF, on behalf of the MOF, received compensation of RMB1.4 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 2009, 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 22 companies, and audit reports on partial personal creditor's rights issued for one company.



CHRONICLE
IN 2009



CHRONICLE IN 2009

2009 | Jan.

On January 14, 2009, SIPF attended and presided over the first meeting of creditor committee of China Securities to discuss and vote upon over 8 proposals concerning major lawsuits, recognition of recall right and centralized management of archives of China Securities in different places, etc.

On January 16, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 6) to CSRC.

On January 19, 2009, SIPF attended and presided over the third creditors' meeting of Northwest Securities to examine the creditors' rights, listen to the report on legal cases, and vote upon and approve the plan on the first allocation of property.

2009 | Feb.

On February 5, 2009, SIPF attended the first creditors' meeting of Xinhua Securities.

On February 13, 2009, SIPF attended and presided over the second creditors' meeting of Hebei Securities and was appointed the chairman of the meeting. In the meeting, SIPF listened to the manager's working report, reviewed and adopted the plan on appraising bankrupt property at the current rate and the plan on distributing bankrupt property.

On February 14, 2009, Chairman Chen Gongyan convened and presided over the eleventh meeting of the five-member coordination team for risk disposition of securities companies, to study and discuss the acquisition of personal creditors' rights of Asia Securities and Dapeng Securities, the treatment of mixed accounts, the interest accrual for customer transaction settlement funds, the special account management of protection fund and the compensation of creditors' rights.

On February 24, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 7) to CSRC.

On the same day, SIPF handled the transfer of RMB7,827 worth of pre-declared creditor's rights of Tianyi Securities to formal ones.



2009 | Feb.

On February 26, 2009, SIPF attended and presided over the first meeting of creditor committee of Asia Securities.

2009 | Mar.

On March 7, 2009, SIPF convened the first board meeting for 2009 to review the work summary for 2008 and priorities for 2009, study the implementation plan on the monitoring system of customer transaction settlement fund of securities companies, the XBRL application plan, the implementation plan on “Five-One” projects about investor education, final accounting for 2008 and financial revenue and expenditure budget report for 2009 and the administrative measures of projects, and listened to the report on audit priorities in 2008.

On March 20, 2009, the Summary of Performance in 2008 and Focus of Work in 2009 of Protection Fund Company was formally released.

On March 23, 2009, SIPF handled the transfer of RMB15.444 million worth of pre-declared creditor's rights of Hengxin Securities to the formal ones. SIPF also handled the transfer of RMB194,471,661.19 worth of pre-declared creditor's rights of Deheng Securities to the formal ones.

On the same day, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 8) to CSRC.

On March 25, 2009, SIPF handled the supplementary declaration of RMB37,080 worth of creditor's rights of North Securities. SIPF also handled the transfer of RMB405,000 worth of pre-declared creditor's rights of Gansu Securities to formal ones.

On March 26, 2009, with the approval of concerned authority, Du Shaojian, deputy chief director of SIPF Call Center (the Legal Department) went to Susong County, Anhui Province as deputy county magistrate for poverty alleviation.



CHRONICLE IN 2009

2009 | Mar.

On March 27, 2009, SIPF attended the second meeting of creditor committee of China Securities to review two proposals on recall rights, vote and adopt the disposal plan on realization of shares below one million.

On March 31, 2009, SIPF handled the transfer of RMB38.88 million worth of pre-declared creditor's rights of China Securities to formal ones.

2009 | Apr.

On April 8, 2009, the XBRL team of SIPF communicated with XBRL International on the interactive data reporting system (EDGAR and IDEA) of US Securities and Exchange Commission and the application of XBRL technique in market and its information management mode.

On April 10, 2009, Chairman Chen Gongyan convened and presided over the twelfth meeting of the five-member coordination team for risk disposition of securities companies to discuss the personal creditor's rights, the nature of doubt accounts and recognition standards of mixed accounts of companies disposed such as Deheng Securities, Hengxin Securities and Zhongguancun Securities.

On the same day, SIPF attended the second meeting of creditor committee of Tiantong Securities to examine some creditor's rights of Tiantong Securities and review the plan on appraising bankrupt property at the current rate.

On April 16, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 9) to CSRC.

On the same day, SIPF attended and presided over the second meeting of creditor committee of Xinjiang Securities to listen to the bankruptcy manager's working report and review the matters relating to the creditor's rights of Kaidi Company.

On April 24, 2009, SIPF attended and presided over the second meeting of creditor committee of Minfa Securities to listen to the bankruptcy manager's working report, review and adopt the matters relating to the property appraisal plan and auction plan.



2009 | Apr.

On the same day, SIPF signed the Cooperation Memorandum on Works of the Accounting Information Reporting Center with the Accounting Department of CSRC.

On April 28, 2009, SIPF attended and presided over the second creditors' meeting of Wuhan Securities to elect and set up the creditor committee, review and adopt related matters including the plan on appraising bankrupt property at the current rate and the plan on distributing bankrupt property.

On April 29, 2009, SIPF initiated a special survey among nationwide institutional and individual investors about the reform of new-share issue system, which was completed on May 25. The Analysis Report on the Special Survey about the Reform of New-share Issue System was drafted accordingly.

2009 | May

On May 11, 2009, SIPF handled the transfer of RMB10,217,544.84 worth of pre-declared creditor's rights of Min'an Securities to formal ones.

On the same day, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 10) to CSRC.

On May 15, 2009, SIPF attended the second meeting of creditor committee of Hengxin Securities to listen to the manager's working report and discuss the First Property Distribution Plan of Hengxin Securities.

On May 27, 2009, SIPF completed the Investor Handbook. Mr. Shang Fulin, chairman of CSRC, wrote preface for the handbook.

2009 | Jun.

On June 3, 2009, SIPF attended the first creditors' meeting of Xing'an Securities to review the plan on appraising bankrupt property at the current rate and the plan on distributing bankrupt property. And SIPF attended the second meeting of creditors of Hengxin Securities to review the matters including the plan on distributing bankrupt property.



CHRONICLE IN 2009

2009 | Jun.

On June 4, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 11) to CSRC.

On June 8, 2009, SIPF, China Film & Television Production Co. Ltd. and Sina Entertainment together with six securities companies and one fund company, launched a big-scale collection activity named "Stock Market Stories in 2008"& a material collection activity for the TV drama called the "Stock Market Stories".

On June 10, 2009, SIPF handled the transfer of RMB7,759,308.24 worth of pre-declared creditor's rights of Asia Securities to formal ones.

On June 12, 2009, SIPF attended the second meeting of creditor committee of Wuzhou Securities to listen to the manager's working report and discuss the matters including assets collection and appraisal of bankrupt property at the current rate.

On June 23, 2009, SIPF attended the communication and reporting meeting of the manager of Minfa Securities to listen to the manager's working report and the introduction to the issues proposed for discussing and voting upon by the creditor committee.

2009 | Jul.

On July 10, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 12) to CSRC.

On July 13, 2009, SIPF handled the transfer of RMB58,500 worth of pre-declared creditor's rights of Tiantong Securities to formal ones.

On July 14, 2009, SIPF attended the first meeting of creditor committee of Hebei Securities to listen to the manager's working report and review the proposals including the Implementation Plan on the First Appraisal of Bankrupt Property at the Current Rate of Hebei Securities.

On July 20, 2009, SIPF handled the transfer of RMB14.4 million worth of pre-declared creditor's rights of Dapeng Securities to formal ones.



2009 | Jul.

On July 24, 2009, SIPF handled the transfer of RMB28,264,537.02 worth of pre-declared creditor's rights of Zhongke Securities to formal ones.

On July 28, 2009, SIPF attended the third meeting of creditor committee of China Securities to listen to the manager's working report and review the Proposal on Addressing Leftover Problems of Two Restructuring Agreements of China Securities.

On July 29, 2009, the 40-episode TV series for investor education named the Stock Market Stories finished shooting.

2009 | Aug.

On August 10, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 13) to CSRC.

On August 12, 2009, SIPF attended the second meeting of creditor committee of North Securities to listen to the manager's working report and review the long-term equity investment and the recognition and disposal of fixed assets of North Securities.

On August 14, 2009, Chairman Chen Gongyan convened and presided over the thirteenth meeting of the five-member coordination team to discuss issues such as the finalization of account clearing report, the treatment of interests of settlement fund gap of customer securities transactions, the determination of natures of relevant accounts of China Securities and North Securities as well as the keeping and turnover of archives of securities companies under punishment.

On August 20, 2009, SIPF held the "Seminar on Risk Disposal and Acquisition of Securities Companies" upon entrusting of CSRC, which invited the related personnel from Finance Department of MOF, the Financial Stability Bureau of PBC and the Supervisory Department of Non-bank Financial Institutions. The meeting studied relevant report about the execution of acquisition policies in risk disposal of securities companies.



CHRONICLE IN 2009

2009 | Aug.

On August 27, 2009, SIPF attended and presided over the third creditors' meeting of Kunlun Securities to listen to the manager's working report and review the issues including assets recovery of Kunlun Securities.

2009 | Sept.

On September 1, 2009, SIPF carried out a survey on the protection status of investors by listed companies, which was completed on October 26. The results of the survey have been applied to the indicators system on the appraisal of protection status of investors by listed companies.

On the same day, SIPF attended the second creditors' meeting of Xing'an Securities.

On September 8, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 14) to CSRC.

On September 9, 2009, the Supplementary Regulations on Issues Relating to the Payment of Securities Investor Protection Fund by Securities Companies (CSRC Announcement [2009] No.25) was released for implementation.

On September 10, 2009, SIPF completed the short entertaining investor education FLASH, the Uncle Niu's Story in the Stock Market.

On September 20, 2009, SIPF handled the transfer of RMB12,800,714.94 worth of pre-declared creditor's rights of Deheng Securities to formal ones.

On September 23, 2009, SIPF carried out a survey on the operation and management of securities companies, which was completed on October 20. The Analysis Report on the Protection Status of Investors by Securities Companies - Based on the Questionnaire Survey on the Operation and Management of Securities Companies was drafted accordingly.

2009 | Oct.

On October 8, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue 15) to CSRC.



2009 | Oct.

On October 13, 2009, SIPF carried out a comprehensive survey on Chinese securities investors in 2009 based on the investor samples database, which was completed on October 29. The Analysis Report on the Comprehensive Survey on Chinese Securities Investors in 2009 was drafted accordingly.

On October 20, 2009, SIPF completed the pilot appraisal of the protection status of investors by listed companies and drafted the Appraisal Report on the Protection Status of Investors by Listed Companies (2009) accordingly.

On October 22, 2009, SIPF attended the second creditors' meeting of Xinjiang Securities to examine its supplementary declaration of creditor's rights and review and adopt the first distribution plan.

On October 28, 2009, SIPF handled the transfer of RMB6,624,000 worth of pre-declared creditor's rights of Dapeng Securities to formal ones.

On October 30, 2009, SIPF attended the third meeting of creditor committee of Zhongguancun Securities.

2009 | Nov.

On November 2, 2009, the International Symposium on the "Securities Investor Protection amid the Financial Crisis" sponsored by SIPF was held in Beijing. Mr. Li Xiaoxue, Vice Chairman of CSRC, met with foreign guests, while Mr. Yaogang, Vice Chairman of CSRC, attended and made a speech at the symposium. More than 70 persons including principals of securities investor protection agencies in the United States, Canada and Hong Kong, China's related authorities and experts were present.

On the same day, SIPF attended the second meeting of creditor committee of China Fortune Securities to discuss the Plan on the First Distribution of Bankrupt Property of China Fortune Securities and the convening of the second creditors' meeting.



CHRONICLE IN 2009

2009 | Nov.

On November 3, 2009, SIPF signed the Memorandum of Understanding on Cooperation with Securities Investor Protection Corporation (SIPC). Mr. Li Xiaoxue, Vice Chairman of CSRC, and Mr. Tong Daochi, the head of International Department of CSRC, attended and witnessed the signing ceremony.

On the same day, the English version of China Securities Investor Protection Website was officially launched. Principals of investor protection agencies including Mr. Stephen P. Harbeck, President of Securities Investor Protection Corporation (SIPC), Ms. Rozanne E. Reszel, President of Canadian Investor Protection Fund and Ms. Irene Tang, Vice-director of SFC HK, and experts like Mr. Nicholas Morris, Managing Director of the Consulting Group IPA Asia and Mr. Lesle Hannah of London School of Economics, attended the ceremony.

On the same day, SIPF submitted the Report on the Implementation of Acquisition Policy in the Course of Risk Disposal of Securities Companies, which was simultaneously copied to MOF, PBC and CBRC.

On the same day, the English version of China Securities Investor Protection Website was updated and officially launched.

On November 5, 2009, SIPF completed the special survey on the protection status of investors by securities companies and drafted the Analysis Report on Protection Status of Investors by Securities Companies accordingly.

On November 6, 2009, SIPF attended the second creditors' meeting of Guangdong Securities to review the appraisal of assets at the current rate and the plan on distributing bankrupt property.

On November 9, 2009, SIPF submitted the Brief Report on Securities Investor Interaction (Issue16) to CSRC.

On November 11, 2009, SIPF attended the fourth meeting of creditor committee of China Securities to review the disposal of some stocks, the recourse on assets and the recall right.



2009 | Nov.

On November 17, 2009, SIPF attended the third creditors' meeting of Tiantong Securities to review the appraisal of assets at the current rate and the distribution of bankrupt property.

On November 20, 2009, SIPF handled the transfer of RMB8,018,358.55 worth of pre-declared creditor's rights of Deheng Securities to formal ones.

On November 20, 2009, SIPF hosted the "Seminar on the Construction Plan of XBRL System" of CSRC and made a report on the "Construction Plan of XBRL Standardized Information Disclosure System in the Securities Market". SIPF further amended the plan according to the suggestions of participants and formally submitted the revised one to XBRL leading team of CSRC on November 23..

On the same day, the Ministry of Finance and State Administration of Taxation issued documents (C.S. [2006]No.169, C.S. [2008]No.78) approving that the tax preferential policy for protection fund payment shall be further valid to December 31, 2010.

On the same day, SIPF carried out a special survey on GEM investors based on the samples database, which was completed on December 11. The Analysis Report on Special Survey and Analysis of GEM Investors was drafted accordingly.

On the same day, SIPF launched the survey on the satisfaction with listed companies' investor protection status, which was completed on December 11. The Analysis Report on the Survey of the Satisfaction with Listed Companies' Investor Protection Status was drafted accordingly.

On November 23, 2009, SIPF attended the third creditors' meeting of Hebei Securities to review the plan on the second distribution of bankrupt property.

On the same day, SIPF handled the supplementary declaration of RMB7,889,888.21 worth of creditor's right of North Securities.

On November 25, 2009, SIPF handled the transfer of RMB2,253,657.50 worth of pre-declared creditor's rights of Gansu Securities to formal ones.



CHRONICLE IN 2009

2009 | Dec.

On December 2, 2009, SIPF convened the seminar on the Rules of Securities Investor Protection Fund (Draft), to study its text and five special reports.

On December 4, 2009, SIPF attended and presided over the second creditors' meeting of China Fortune Securities to review and adopt the First Bankrupt Property Distribution Plan of China Fortune Securities.

On the same day, SIPF hosted the first meeting of creditor committee of Wuhan Securities to discuss the disposal plan of some assets like those in Macao.

On December 7, 2009, SIPF attended the second creditors' meeting of Gansu Securities to review and adopt the First Bankrupt Property Distribution Plan of Gansu Securities and the Remuneration Plan for the Manager.

On the same day, SIPF submitted the Brief Report on Securities Investor Interaction (Issue17) to CSRC.

On December 11, 2009, SIPF attended the second creditors' meeting of Asia Securities to review the meeting materials.

On December 12, 2009, SIPF attended and presided over the second creditors' meeting of Minfa Securities to review and adopt the First Bankrupt Property Distribution Plan of Minfa Securities.

On the same day, SIPF attended and presided over the fifth meeting of creditor committee of Minfa Securities to review and adopt the examination and verification opinions on Minfa Securities' third batch of recall right and develop the relevant resolutions.

On December 14, 2009, SIPF held the Symposium on Securities Investor Education and Protection for 2010, and more than 20 persons from concerned departments of MOF, PBC and CSRC attended the symposium.



2009 | Dec.

On December 15, 2009, Chairman Chen Gongyan convened and presided over the fourteenth meeting of the five-member team to study and discuss the implementation of risk disposal policy of Southern Securities and the qualitative standards on its A-share doubtful dormant account and the issues concerning the personal creditors' right and the acquisition of customer transaction settlement funds of China Fortune Securities, Deheng Securities and Hengxin Securities, and notify the cases concerning administrative disposal during the judicial bankruptcy hearings and the progress of major works.

On December 17, 2009, SIPF convened the second board meeting for 2009 to review and adopt the 2009 work summary and the thoughts for 2010, study and adopt in principle the final accounts for 2009 and the budget for 2010.

On December 22, 2009, SIPF attended and presided over the fourth meeting of creditor committee of Zhongke Securities to review the proposals including the convening of the third creditors' meeting and the second property distribution.

On December 23, 2009, SIPF held the Symposium on the Second Anniversary of the Open of China Securities Investor Protection Website and Its Upgrading and Revision & also the Award Ceremony of the Collection Activity of Investor's Works on "Stock Market Stories in 2008".

On December 24, 2009, SIPF held the Experts Seminar on Investor Confidence Indices to discuss the index preparation plan, survey method, results promotion meeting and other related theoretical studies in a profound way.

On December 29, 2009, SIPF attended and presided over the fourth meeting of creditor committee of Zhongke Securities to review the proposals including the convening of the third creditors' meeting and the second property distribution.

On December 30, 2009, the reengagement of the first experts sitting on the Experts Committee was accomplished.



CHRONICLE IN 2009

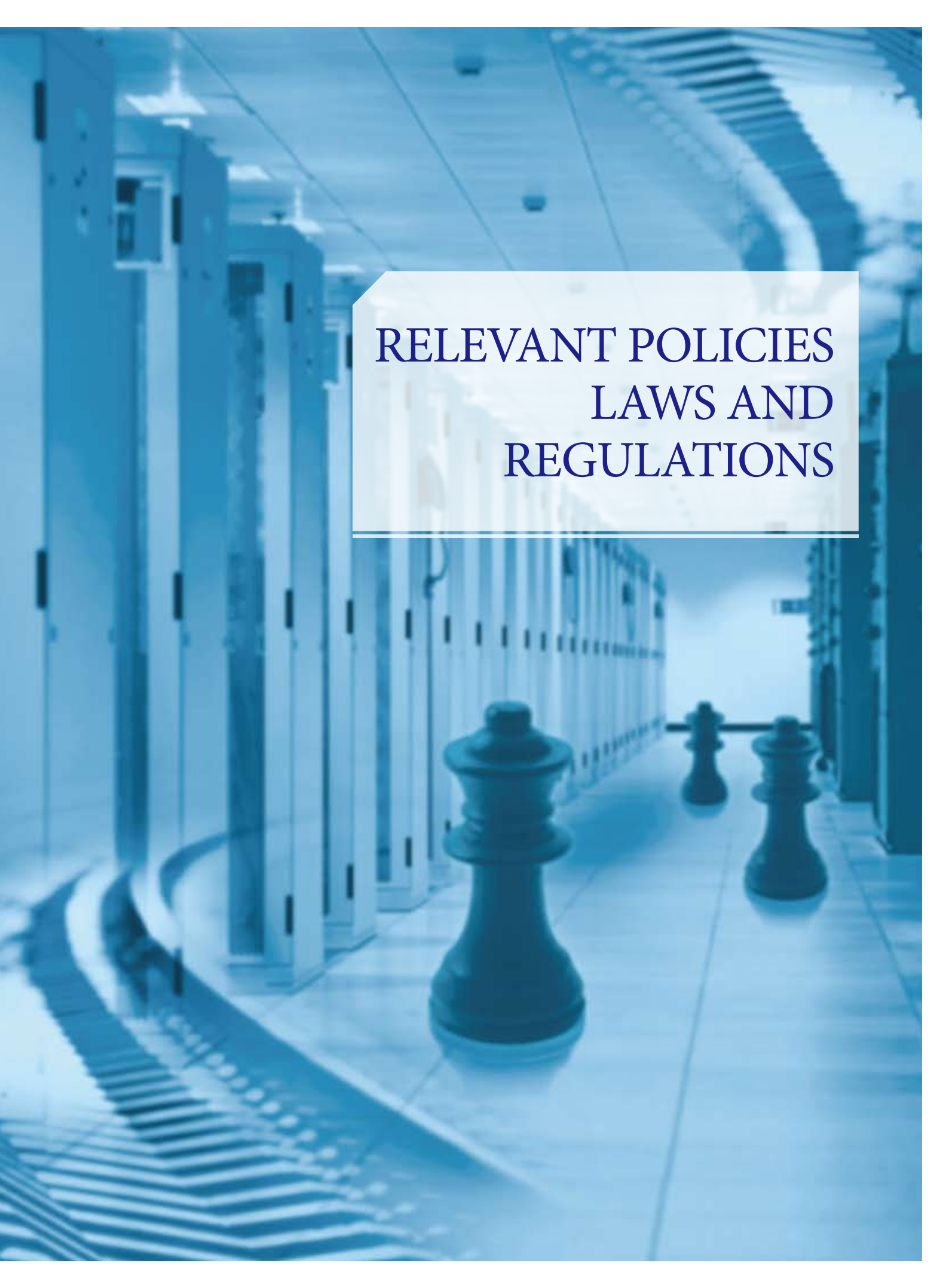
2009 | Dec.

On the same day, SIPF completed the pilot monitoring of public sentiment of securities companies and developed the Monitoring Report on Public Sentiment of Securities Companies (Issue 1).

On the same day, the database on basic data system of securities companies (Phase I) was constructed.

On December 31, 2009, the Website Management Committee of SIPF convened the first plenary meeting to study and arrange future works concerning the website construction.

On December 31, 2009, the first batch of 46 business departments completed their investor education project.

A blue-tinted photograph of a server room aisle. The aisle is lined with server racks on both sides, receding into the distance. On the floor in the foreground, three chess pieces (a king, a pawn, and another king) are placed on the floor tiles. The lighting is bright, creating a clean and professional atmosphere.

RELEVANT POLICIES LAWS AND REGULATIONS



RELEVANT POLICIES, LAWS AND REGULATIONS

6.1 Relevant Policies, Laws and Regulations Promulgated by the End of 2008 (List)

1. Opinions on Acquisition of Personal Creditor's Rights and Customer Securities Trading Funds
(Jointly promulgated by 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 PBC, MOF, CBRC and CSRC on January 28, 2005)
3. Measures for the Administration of Securities Investor Protection Fund
(Jointly promulgated by the CSRC, MOF, and PBC on June 30, 2005)
4. Circular of the People's Bank of China, Ministry of Finance, and China Securities Regulatory Commission 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 Fund (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 Corporation Limited 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 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 Fund
Zh.J.F. [2006] No.78 (Promulgated on July 12, 2006)



RELEVANT POLICIES, LAWS AND REGULATIONS

9. Circular of Ministry of Finance and State Administration of Taxation on Stamp Tax for Securities Investor Protection Fund
(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 Fund
(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 Corporation Limited
(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 Several 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)



RELEVANT POLICIES, LAWS AND REGULATIONS

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 Fund 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 Corporation Limited 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 Corporation Limited for Asset and Liability Liquidation Audit and Inspection Plan (For Trial Implementation) and the Guidelines of China Securities Investor Protection Fund Corporation Limited 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 Corporation Limited Governing Intermediary Agencies (For Trial Implementation)
Zh.B.F. [2007] No.122 (Promulgated on December 27, 2007)
23. Regulations on Risk Settlement of Securities Companies
PRC State Council Order No.523 (Promulgated on April 23, 2008)



RELEVANT POLICIES, LAWS AND REGULATIONS

24. Notice of 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 Corporation Limited
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 the Protection Fund Use by China Securities Investor Protection Fund Corporation Limited (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)



RELEVANT POLICIES, LAWS AND REGULATIONS

6.2 Relevant Policies, Laws and Regulations Released in 2009 (List)

31. Circular of the Supreme People's Court on the Judgment and Enforcement of Cases Related to the Disposed Securities Companies in accordance with Applicable Laws
F.F. [2009] No.35 (Promulgated on May 26, 2009)

32. Supplementary Regulations on Relevant Issues Concerning Payment of the Securities Investor Protection Fund by Securities Companies
CSRC Announcement [2009] No.25 (Promulgated on September 9, 2009)



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