

2011 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 2011



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N. KOREA

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MESSAGE FROM THE CHAIRMAN



2011 is a year in which the great Chinese Communist Party (CCP) celebrated the 90th anniversary of its founding, China's 12th Five-year Program experienced its first beginning, capital market played an important role in supporting the national economy to adjust the structure and transfer the development mode, and also a critical year to deepen the market reform and achieve the innovative development. Under the leadership of the China Securities Regulatory Commission (CSRC) and with the strong support of Ministry of Finance and People's Bank of China, the leading group of SIFP, together with the entire staff, guided by the scientific development concept, earnestly studied and understood the spirit of the Sixth Plenary Session of the Seventeenth Central Committee, conscientiously implemented the requirements of the Securities and Futures Supervision Meeting and effectively performed the duties of serving the capital market; with the protection of the legitimate rights and interests of investors as a starting point and goal of the work, further broadened the working thoughts and expanded the business scope, explored new initiatives and ways to protect investors and boosted the construction of the long-term mechanism of investor protection. The change of guard for the old and new leading groups was successfully completed and all planned work tasks of 2011 were implemented.

In 2011, we continued to reinforce the basic business, smoothly carried forward the tail-in work of disposing risks arising from securities companies and continuously strengthened the raising, management and operation of the protection fund to provide strong support for risk disposition; we steadily advanced the construction of the information system, made careful arrangements and spared no efforts to prepare for the official on-line pilot

operation of the securities market transactions settlement fund monitoring system and initially completed the construction work of the major platform of XBRL system to provide support for monitoring the market risks and improving the business integrity level of the related entities of the market; we continuously perfected the comprehensive investor service system including the investor education, investor call, investor survey, investor protection website, evaluation of the investor protection status and monitoring of the public opinions of the securities market, and enhanced the capabilities of serving and protecting investors; we actively explored the dispute resolution mechanism for safeguarding the legitimate rights and interests of medium and small investors to improve the professional level of our service; we further strengthened the international exchange and cooperation and signed the Memorandum of Understanding with the European Forum for Deposit Insurance to improve the international influence of SIPF; we constantly enhanced the self-construction, improved the corporate governance structure, strengthened the internal standardization management, promoted staff's capacity and quality and put great emphasis on the construction of an honest and clean government, and laid a solid foundation for the further scientific developments of SIPF.

The year of 2012 is an important nexus year for the implementation of the 12th Five Year Plan program and a year in which the reform task of China's capital market is arduous and difficult and the investor protection work needs to be further improved. With the protection of investors' legitimate rights and interests as our own duty, SIPF will work as the requirements of both the National Conference on Financial Work and the National Conference on Securities and Futures Supervision, closely center on the task of

CSRC and the overall development situation of the capital market reform, on the basis of guaranteeing the basic business, strive to ensure the secure, stable and effective operation of the securities market transactions settlement fund monitoring system, promote the construction of XBRL system and the comprehensive investor service system, explore the multiple dispute resolution mechanism of investor protection, strengthen international exchange and cooperation, and improve the company's management level and the staff's capacity to welcome the successful opening of the Party's 18th Congress with excellent performance.



Liu Hongtao

Chairman Of The Board Of Directors

CORPORATE PROFILE

2.1 Board of Directors



Meng Guozhen

Zhang Xiaowei

Jiang Weijun

Zhuang Mu

Liu Hongtao

Ge Weiping

Ma Donghao

Li Lian

Chairman: Ms. Liu Hongtao (fourth from the left)

Vice Chairman: Mr. Jiang Weijun (third from the left)

Vice General Manager: Ms. Zhang Xiaowei (second from the left)

Executive Director: Ms. Meng Guozhen (first from the left)

General Manager: Mr. Zhuang Mu (fourth from the left)

Vice Chairman: Mr. Ge Weiping (third from the right)

Vice General Manager: Mr. Ma Donghao (second from the right)

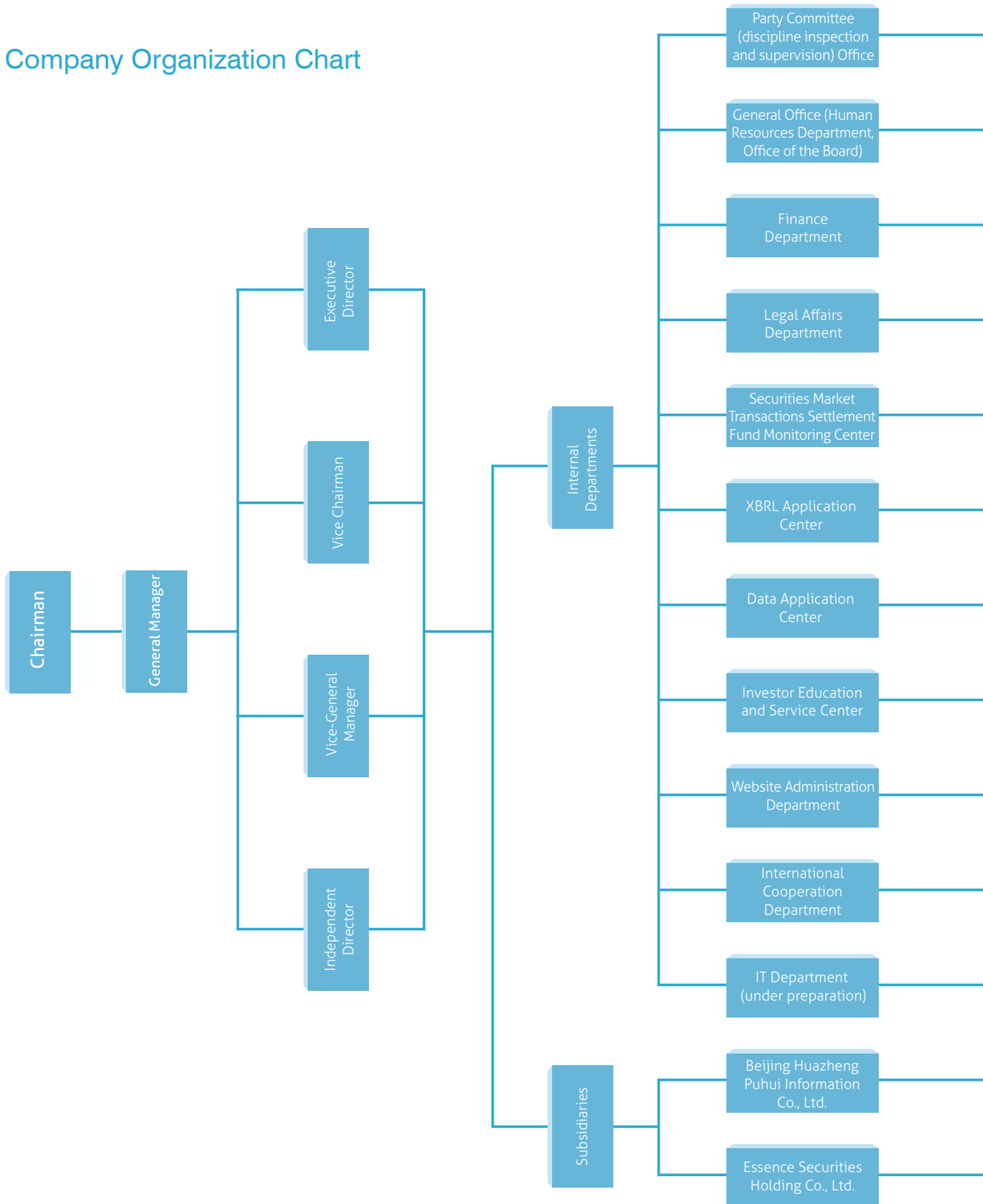
Executive Director: Ms. Li Lian (first from the right)

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 the wholly state-owned China Stock Investors Protection Fund co., Ltd (the “SIPF”) 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 is set up in SIPF as a decision-making organ while the management level is established to take charge of the operation and management. SIPF has 11 departments, including the Party Committee (discipline inspection and supervision) Office, the General Office (Human Resources Department and Office of the Board), Finance Department, Legal Affairs Department, Securities Market Transactions Settlement Fund Monitoring Center, XBRL Application Center, Data Application Center, Investor Education and Service Center, Website Administration Department, International Cooperation Department, IT Department (being prepared and constructed). SIPF also has two controlled subsidiaries: Beijing Huazheng Puhui Information Co., Ltd. and Essence Securities Co., Ltd.

Company Organization Chart



Be responsible for the daily work of the corporate Party Committee and Discipline Inspection Commission, assisting in implementing the work arrangements from the Party committee of the higher level, organizing and implementing the resolutions of the corporate Party Committee and Discipline Inspection Commission, assisting and directing the Party committee and Discipline Inspection Commission of the lower level to conduct work, assisting in conducting discipline inspection and supervision, and organizing the performance evaluation work.

Be responsible for the formulation of all corporate rules and regulations, organizing and coordinating the daily management of SIPF, conducting external publicity, the logistical support, personnel management, the management on and service to the subsidiaries.

Be responsible for accounting and financial management of SIPF, the preparation, reporting and management of the budget and final accounts; the raising, management and operation of the fund, the work relevant to the salary, benefits, insurance and tax, the supervision and management on the subsidiary's financial and major economic matters and the management on the state-owned assets.

Be responsible for reviewing and inspecting the implementation conditions of the corporate systems, providing legal or compliance-oriented advices for business activities, organizing the selection and appointment of the intermediaries and experts, promotion and research of the securities investor protection-related legislation, the work relevant to the risk disposition of securities companies, and the examination on the application of the protection fund.

Be responsible for organizing and coordinating the construction, maintenance and daily management of the monitoring system, managing the data of the system, preparing monitoring reports, raising supervision and disposal recommendations to regulatory organizations and provide certain assistance when potential risks which may endanger the interests of investors and the security of the market are found.

Be responsible for the development, maintenance, release and unified management of XBRL taxonomies and the XBRL system ; the coordination and cooperation with other systems; the statistical analysis of the data, the offering of data services and organization of the data operation work.

Be responsible for the planning, construction and maintenance of data information application system of SIPF, the integration, statistics, analysis and research of the information resources, the research and development, production, publication and promotion of the data information products; the management and disposal of the non-cash liquidation assets claimed from debtors, the formulation and implementation of investment programs on SIPF's owned fund and protection fund.

Be responsible for the overall planning, coordination and implementation of the investor education and service, surveys on investor education status and requirements, inspection and assessment on effects of the investor education, the investor call and consultation services, matters related to the system of investor call and interaction platform, and the preparation of interactive information on a regular basis.

Be responsible for the construction, operation, maintenance, promotion and upgrade of the Securities Investor Protection Website (Chinese version), organization and conduction of comprehensive and special surveys on the securities investors, publication of assessment reports, development and release of the Investor Confidence Index, conduction of assessment on the securities market investor protection conditions and the results promotion and application, and the management and operation of the public opinions monitoring system.

Be responsible for the international cooperation and exchange, arranging the visits and receiving foreign visitors, initiating the establishment of the International Securities Investor Protection Organization, introducing and translating international investor protection development, as well as the international publicity of SIPF, the construction, operation, maintenance, promotion and upgrade of the Securities Investor Protection Website (English version).

Be responsible for the overall planning and unified management of SIPF's information resources, cooperating with other business departments to conduct the IT projects, the procurement, maintenance and management of the office information system equipment, support for the management of fixed assets relevant to the information technology, the external exchange of the information technology, and the security and statistical management of information system.

Scope of business: Computer system service, data processing and other computer services; basic software, application software and other software services; wholesale and retail of computers, software and ancillary equipment; development of information technology, information services, investment consulting and e-commerce.

Scope of business: securities brokerage; securities investment consultation; financial advices related to the securities transactions and investment activities; securities underwriting and recommendation; securities proprietary trading, securities asset management; margin trading; other securities business approved by CSRC.

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; to indemnify creditors as required by China's relevant policies in case that 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 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.

Based on the overall situation of assisting the supervision of capital market, SIPF actively expands the working thoughts, explores new initiatives and approaches to protect the legitimate rights and interests of investors, especially medium and small investors, improves investor education and service effectiveness and advances the construction of the long-term investor protection mechanism; on the basis of finishing the tail-in risk disposition work of the securities companies and exercising responsibilities on operation and management of protection fund, SIPF actively explores new business scope, comprehensively strengthens the securities market risk monitoring, constantly improves the functions of securities market transactions settlement fund monitoring system and XBRL system, establishes sound and comprehensive investor service system including investor education, investor call, investor survey, investor protection website, evaluation of the investor protection status and monitoring of the public opinions of the stock market, carries forward the construction of the investor protection legal systems and the international exchange and cooperation and improves the investor protection ability, level and effectiveness.

PERFORMANCE IN 2011



In 2011, under the leadership of the CSRC and with the strong support of Ministry of Finance and People's Bank of China, the Party Committee of SIPF, together with the entire staff, guided by the scientific concept of development, carried out the activity of "Serving the public, constructing an advanced basic-level party organization and striving to be an outstanding Chinese Communist Party member", studied the spirit of the Sixth Plenary Session of the Seventeenth Central Committee and the requirements of Securities and Futures Supervision, further broadened the working thoughts and explored new initiatives and approaches to protect especially the medium and small investors based on the overall situation of assisting the supervision of capital market, improved the investor education and service effectiveness, further advanced the construction of the long-term investor protection mechanism, expanded the business scope and perfected the corporate governance structure, the change of the company's old and new leading groups was successfully completed and the major work tasks were implemented as intended.

(i) Continued to conduct the tail-in risk disposition work of the securities companies, ensured the safe and legal use of the State's purchasing fund and safeguard the interests of the state

The risk disposition of securities companies is one of SIPF's functions and vital tasks. In 2011, SIPF successfully carried forward all related work when the risk disposal work had almost come to a concluding phase and the protection fund review and appropriation had somewhat declined.



1. Continued to properly conduct the inspection on the review, appropriation and use of the protection fund. First, SIPF reviewed 6 purchase applications and appropriated RMB32.99 million. Second, SIPF conducted the audit and inspection on dormant accounts with the balance of RMB10 million and on the legal and safe use of the fund of the single-capital accounts

which experienced activation applications. As of the end of November 2011, SIPF had completed the offset of all known individual claims and the customer's transactions settlement fund gap, except the un-activated dormant accounts (single-capital accounts), smoothly finished the main work of the securities companies' individual claims and customer's transactions settlement fund acquisition, which ensured the safe and legal use of the State's purchasing fund.

2. Conscientiously fulfilled the duties of creditors and properly conducted the liquidation claim management. First, as the largest creditor of most bankrupted securities companies, SIPF had earnestly fulfilled the duties of a creditor, participated in the bankruptcy liquidation of securities companies in accordance with the law, performed the supervisory duties and safeguarded the State interests. Second, SIPF cooperated with the Risk Management Department of CSRC, Securities Supervision Office at Shanghai Stock Exchange and Securities Supervision Office at Shenzhen Stock Exchange to actively promote the bankruptcy process of the securities companies under disposition. As of the end of 2011, Dapeng Securities had declared bankruptcy in the end, and the China Southern Securities and MF Securities had completed the substantive work of the bankruptcy. Third, SIPF had seriously conducted the receipt and management of the liquidation assets. In 2011, there were 6 repaid stocks, worth of RMB697 million. The bankruptcy liquidation and claim repayment work were steadily carried forward, which had safeguarded the legitimate rights and interests of the creditors.

3. Recovered, in accordance with the law, the customer transactions settlement fund which had been illegally frozen or deducted. With the great attention of CSRC and the strong support from the Risk Management Office and Financial Ombudsman Office, SIPF had recovered the fund which had been frozen or deducted illegally. Up to now, a total amount of RMB235 million had been unfrozen by the court and recovered by the management, accounting to 70% of all revertible prepaid funds which were frozen by the court. The return work of deducted customer transactions settlement fund by the commercial banks also experienced a breakthrough. Mingsheng Bank of China and China Merchants Bank returned a total amount of RMB66.07 million.

(ii) Effectively performed the responsibilities in respect of raising, management and operation of protection fund

Doing well in the raising, management and operation of securities investor protection fund is the cornerstone for the sustainable development of the investor protection. After years of exploration, SIPF had formed more effective mechanisms



in fund raising, management and operation, which provided strong support for the risk disposition of securities companies. Especially with the completion of re-lending repayment to People's Bank of China in 2011, a new chapter came for the operation and management of the protection fund.

1. Carried out the raising of protection fund in accordance with the law and ensured the time and full-amount of protection fund collection. First, SIPF strictly implemented the fund raising policy of “unified standards, dynamic management and differential charging”. In 2011, SIPF raised RMB 6.066 billion protection fund from the market, which provided financial support to timely repay the principal and interests of the re-lending. Second, SIPF completed the on-line running and the market-wide application of the fund raising reporting system to allow 106 securities companies, Shanghai and Shenzhen Stock Exchanges and the China Securities Depository and Clearing Corporation Limited to complete the information submission through the system, which improved the efficiency of fund raising. Third, SIPF actively pushed forward the extension application of the tax preferential policies of the protection fund and the protection fund payment organizations and improved the supporting policy system for the protection fund raising.

2. Continuously strengthened the follow-up management of the re-lending to maintain the security of the national public capital. First, SIPF further improved the follow-up re-lending management mechanism of “monthly extension, quarterly interest payment and

yearly principal payment” and strengthened information exchange with the Business Administration Department of the PBC. Second, SIPF proactively implemented the re-lending repayment plan by timely repaying the principle and interests. As of the end of July 2011, SIPF had fully repaid the accumulated re-lending principal of RMB22.895 billion and the interests of RMB1.896 billion, one year ahead of the five-year repayment period specified in the “Re-lending Repayment Plan” and 10 years ahead of the longest repayment period of 13 years specified in the “Re-lending Operation Specifications”.

3. Steadily carried out the fund investment to achieve the preservation and appreciation of protection fund. Under the premise of ensuring the fund safety, SIPF steadily carried out the investment entrustment. SIPF continued to adhere to the principles of “by entrustment investment primarily and by the autonomous investment for auxiliary”, strengthened the supervision, controlled the risk, tracked the discretionary account’s operation, investment range, net asset value and the changes of the project managers to ensure the safety of the entrusted fund. Up to now, RMB4 billion is entrusted for investment, with stable and higher earnings over the corresponding benchmarks and the overall wealth index increase rate of inter-bank bond of the same period and good compliance condition of custodians.

(iii) Fully completed the construction, testing and market-wide application of the securities market transactions settlement fund monitoring system, which laid the foundation for improving the preliminary risk monitoring mechanism of securities companies

The construction of the securities market transactions settlement funds monitoring system (the “Monitoring System”) is an important move for SIPF to shift its focus from the securities companies’ risk disposition to the normal investor protection work and a vital measure to make full use of modern information technologies to protect investors as well as prevent and resolve risks. In 2011, under the support and cooperation of the Department of Intermediary Supervision of CSRC, relevant bureaus, the Securities Association of China and China Securities Depository and Clearing Corporation Limited, SIPF carefully organized and implemented the plan. First, SIPE implemented the deployments under the *Announcement Concerning Relevant Issues of Securities Transaction Settlement Fund Monitoring System (Announcement No. 6 [2010])* of the CSRC and completed the promotion and application of the Monitoring System in the



China Securities Depository and Clearing Corporation Limited, 100 securities companies with brokerage business and 21 commercial banks by stages and in groups. Second, SIPE organized 12 large-scale joint tests in which a large number of issues were discovered and resolved and the timeliness, standardization, accuracy and completeness of the reporting data were steadily improved. The timely reporting rate was always maintained over 90% and the average number of the daily comparison difference due to non-technical reasons had dropped under 10. After the testing and tuning, SIPF improved the stability and effectiveness of the monitoring technology system to process the mass data and gradually established the data information security and confidentiality system. Third, SIPF developed and constructed the “comprehensive monitoring information exchange and processing platform” and further enhanced the efficiency and effectiveness of verification and processing of potential problems. Four, SIPF had found non-standard problems of some custody banks and securities companies occurred in their business operation and timely reported to the regulatory authorities. Currently, all preparatory work has been basically completed and the monitoring system will be put into operation soon.

(iv) Steadily carried forward the construction of XBRL system to provide technical support for further improve the business integrity level of relevant subjects in the market

Under the unified arrangements of the CSRC and the guidance and cooperation of such

departments as the General Office, Department of Offering Supervision, Department of Fund Supervision and the Information Center of CSRC, SIPF preliminarily completed the construction of the main platform of XBRL system, which provided technical support for further improve the business integrity level of relevant subjects in the market. First, SIPF completed the development, testing, evaluation and deployment of the IPO system under the new technical standards of the capital market, realized the compatibility with the general taxonomy of the Ministry of Finance and the pilot implementation of the new technical standards of the capital market, achieved the pilot submission objective set in the beginning of the year and laid the foundation for the pilot submission and examination of the enterprises in the trial in 2012. Second, SIPF completed the development and application of XBRL management platform for the capital market, achieved the support for the elements named in English and dimension technologies, completed the set and adoption of the CAS public components of the Ministry of Finance and basically fulfilled the goal set by CSRC. Third, SIPF ensured the normal submission and disclosure of the electronic information of over 800 funds involved in 68 fund companies, 18 custodian banks, and effectively improved the timeliness, accuracy and completeness of the fund information disclosure by conducting well in the organization, support, disclosure, demonstration and data clearing for the data submission. The error rate of the reports had dropped to 2.6% from 11% at the beginning of the year. Fourth, SIPF provided data pushing service for 10 fund evaluation agencies such as the Fund Channel of the Securities Investor Protection Fund Website, the regulatory system of the CSRC's Department of Fund Supervision, Galaxy Securities, etc. and played a positive role in further improving the fairness, timeliness and effectiveness of the information disclosure, promoting the sustainable development of the fund industry and protecting the legitimate rights and interests of investors. Fifth, SIPF actively cooperated with the Leading Group Office responsible for the electronic information disclosure work in the



program preparation and other related work of XBRL working platform, carried out the construction of system institution and business procedures, promoted the standardized management and smooth operation of the system



and further strengthened the promotion and publicity of China's XRRL system through publications, briefing on the work, Double Weekly, brochures and other ways as well as the opportunities to participate in the international conference.

(v) Improved the comprehensive investor service system and enhanced the strength and effectiveness of serving the investors



The construction of the comprehensive investor service system integrating the investor education, investor call, investor survey, investor protection website, investor protection status evaluation and monitoring of the public opinions of the stock market is a requirement to better protect investors and also an important measure for the business development of SIPF. In 2011, all work relevant to the construction of the comprehensive investor service system is advanced smoothly, which not only facilitated the positive interaction among the investors, regulators and other market players, but also enhanced the pertinence and timeliness of the investor protection work.

1. Expanded the impact of the public-benefit investor education. First, SIPF conducted an assessment on investor education programs. The results showed that SIPF's investor education with informative and interesting features can be easily accepted by the medium

and small investors. Second, SIPF successfully completed the production and broadcast of “Dancing K Line”, a TV play themed on investor education. Firstly broadcasted on CCTV8 Channel, the series attracted 59 million audiences and gained 20 million hits on line. Third, SIPF conducted series of the investor protection- themed public service advertisements under the slogan of “A healthy market needs you”, firstly publicizing the principles of “Open, Fair and Just” through the collection, production and broadcast of public service ads. Fourth, SIPF did well in the maintenance of the investor education projects in 100 securities business departments, the on-line running of the investor education game software and the construction demand survey of the comprehensive service system for investors and continuously expanded the impact of the public-benefit investor education work.

2. Continued to conduct investor call service. SIPF further enhanced the interaction and communication with the investors by processing the calls and messages to CSRC as well as to us. As of the end of December 2011, SIPF totally received 18,711 investor messages from the Public Interactive Messages Left on the CSRC Website, the mailbox of CSRC Chairman, the Investor Protection Website, the email directly sent to us, hotline phone, fax, etc. All messages were handled timely and properly, with a reply (processing) rate of 100%, which received good social effects by not only resolving the social contradictions and appeasing the emotions of some investors, but also promoting the national policy and improve the risk awareness of investors.



3. Continued to push forward investor survey. Based on the practical conditions of the capital market and the major points of the regulatory work, SIPF pushed forward the investor confidence survey, comprehensive survey and special survey. In 2011, SIPF totally conducted 12 confidence surveys with 12 special reports on the investor confidence surveys prepared, carried out 5 special surveys, namely “Special Survey on Compliance Management Conditions of Securities Companies”, “Survey on the Satisfaction Degree of Listed Companies’ Investor Protection”, “Survey on Operation and Management Conditions of Securities Companies”, “Special Survey on Futures Investors in 2011 (the section of securities investors)” and “Special Survey on the New Over-the-counter Bulletin Board (NEWOTCBB) Reform” and 1 yearly comprehensive survey. In addition, SIPF kept innovating on the survey methods. In 2011, SIPF selected 5235 survey samples upon strict screening and sampling from the investors across the country, established a database of fixed investor survey samples with strong representativeness and formulated an investor survey system with SIPF, the securities companies and business departments as the main participants and the Investor Protection Website and on-line survey system as the tools. Meanwhile, SIPF regulated the survey process, established a complete working mechanism integrating the three-layer management system, training and assessment systems, successfully improved the quality of the overall survey and reflected the demands and true desires of the investors in a comprehensive, timely and effective manner. The effective answering rates of the two special surveys conducted after the application of the new mechanism were both over 99%, much higher than the average level of survey industry.

4. Actively enhanced the service functions of the Investor Protection website. To increase the practical information about the protection of investors’ legitimate rights and interests and improve the experience of the internet users, the Investor Protection website enforced content revisions. First, the key points were emphasized with the three channels of “Online Classroom” and “Risk Warning” and “Right Protection Guidelines” as the knock-out products, the investor protection website provided the investors (especially the investors intending to enter the stock market and newly entering the stock market) with comprehensive information including the education guidance, risk disclosure, rights and interests protection guidelines and consultation call service from three dimensions of “prevention in advance, learning in the process and processing afterwards” which enhancing the depth of the Investor Protection website to serve the investors. Second,

the new fund channel was established based on the fund XBRL data to provide the fund investors with authoritative and timely disclosure information and the objective and fair fund analysis from an independent third-party perspective and extend the service range of the Investor Protection website for the investors. The revised Investor Protection website includes 9 channels and 6 independent business information subsystems. With the original investor education service products as its main contents and



integrating the relevant securities industrial information, the revised Investor Protection website upon its formal running on line attracts extensive attentions of the investors and the media. Currently, the Investor Protection website has become an important carrier of SIPF to serve the investors.

5. Improved the evaluation of the investor protection status. In 2011, the company constantly perfected the evaluation work by improving the index system, standardizing the workflow, reducing the error rate, strengthening the depth and breadth of analysis, and enhancing the application of results to provide references for the relevant government departments to learn the investor protection situations of the listed companies and securities companies as well as to be provided with specific policy proposals. First, the company continued to carry out the evaluation on the investor protection of the listed companies, completed the paper of *2010 Evaluation Report on Investor Protection by Listed Companies in China* involving 2053 listed companies. This paper was printed and circulated within the securities regulation system for reference upon the approval of the

leaders of the CSRC. Second, the company evaluated the investor protection status of 100 securities companies within China in 2010 and formed an evaluation report based on the objective data and surveys of the securities companies.

6. Conducted the multi-dimensional public opinion monitoring of the securities market. Through the public opinion monitoring system for the securities market, the company achieved the data collection and analysis from 80 domestic and foreign media, websites, forums and other internet information sources and established the multi-level public opinion monitoring system. First, the company conducted the real-time public opinion monitoring of various participants of the stock market to timely learn the public opinion changes of the stock market. Second, the company cooperated with the CSRC Institutional Department to compare and screen the illegal securities websites and fake broker websites from the news sites and search engines on a weekly basis and reported the suspicious information to the CSRC for later screening and disposal. Third, the company conducted statistics and analysis of the hot public opinions on the weekly or monthly basis and provided the public opinion monitoring reports at regular intervals. At the end of 2011, 195 reports had been provided through the public opinion monitoring system.

(vi) Actively explored the new investor protection initiatives and methods to comprehensively push forward the legal system building for the investor protection and the international communication and cooperation

When focusing on the major business and work, the company, under the premise of compliance with the overall development of the capital market reform, continuously expanded the working thoughts based on international experience and actively explored new initiatives and methods to protect the legitimate rights and interests of the small investors.

1. Pushed forward the establishment of the protection mechanism of investors' legitimate rights and interests. First, the company took the assessment of the Securities Act as an opportunity to strengthen the study on the legislation of the Securities Investor Protection Funds and actively promote the systematic construction of the legislation on the legitimate rights and interests of the securities investors. Second, under the support of the superior

authorities and law enforcement agencies, the company took the amendment of the Civil Procedure Act as an opportunity to actively study the mechanism for the non-profit organizations to participate in the public interest litigation. Third, the company strived to study on the diversified securities dispute settlement mechanism, explored the establishment of the mediation, arbitration, litigation and other diversified securities dispute settlement mechanism and expanded the investor's legitimate rights and interests protection range.

2. Strengthened the international communication and cooperation of the investor protection. First, the company established and deepened the multilateral cooperation with the foreign investor protection institutions by signing the Memorandum of Understanding (MOU). In 2011, the company signed a MOU with the EFDI (An European investor protection organization) based on the signing of MOU with the U.S. and Canadian investor protection organizations. Second, the company actively provided supports for the 37th International Organization of Securities Commissions (IOSCO) and the 5th International Investor Protection Fund Annual Meeting. Third, the company promoted the investor protection conditions of China's capital market, strengthened the communication and cooperation with the relevant national and regional investor protection institutions, pushed forward the establishment of the independent international securities investor protection



organizations and further enhanced the influence and discursive power of Chinese investor protection institutions in the international investor protection area.

(vii) Strengthened the company's own construction and constantly reinforced the company's scientific and sustainable development basis

In 2011, the company made great strides with self-development. The Party Committee, according to the company's business development needs, adjusted and enriched the company's executive board and improved the corporate governance structure. Taking this opportunity, the company also vigorously strengthened its self-construction, took the enhancement and improvement of the company management as the important task to promote the scientific development of the company, focused on the personnel, legal, financial and other major areas to improve the overall combat effectiveness of the company and laid a solid foundation for the further scientific development of the company.

1. Improved the corporate governance structure. In accordance with the requirements of establishing a modern enterprise system, the company improved the governance structure, set up new managerial level, perfected the company's decision-making mechanism and management system, and established the company's new leading group headed by Ms. Liu Hong Tao, Chairman of the company. The change of guard for the old and new leading groups was completed smoothly, the members of the leadership team were full of spirit and energy, and all work was carried forward in orderly.

2. Perfected the internal control mechanism. First, the company newly formulated 9 regulations including the Statistics Management Interim Measures. As of now, the company has 80 existing internal management regulations, which provide a strong guarantee for managing the personnel and work according to regulations. Second, the company conducted strict financial management. Based on ensuring the implementation of the national revenue and expenditure budget and accounting principals, the company seriously executed the capital and bank account management system, fiscal charges auditing system, "Three-Major and One-Large" issues (decision-making on major issues, appointment and dismissal of important managers, major project investment decision-making, use of large amount of capital) management system, financial supervision and inspection system. Third, the company strengthened the legal review

and approval. The auditing contents covered the settlement of the securities companies' bankruptcy liquidation, project approval, contract conclusion, internal regulations, rules and regulations of the subsidiaries, meeting files which guaranteed the legal and compliant conduction of all business of the company. Fourth, the company strengthened the discipline inspection and supervision. By organizing or conducting the project supervision and inspection, staff performance evaluation, the company exercised a veto in the discipline inspection and supervision with only one vote, which provided multiple protection for the business operation according to the rules and regulations.

3. Optimized the human resources and personnel management. First, based on the business development needs, the company adjusted the department and position setting, reasonably allocated the personnel, further carried out the "Three fixing" program and effectively used the existing human and material resources. Second, the company strictly selected and appointed the managers and constantly improved the fair, just and open merit-based selection and appointment mechanism. Third, the company laid emphasis on the staff training. By conducting lectures, participating in trainings and organizing military training for new employees, the company has improved the professional qualities and skills of the employees, which laid the talent reservation foundation for the company.

4. Strengthened subsidiaries management. The company effectively fulfilled the responsibilities of shareholders, did well in the management and service of the affiliated subsidiaries and holding subsidiaries, urged the subsidiaries to implement the national policies and regulatory requirements based on compliant management and standardized operation.

5. Actively participated in the public benefit activities. With the consistent high degree of social responsibility, the company vigorously carried out the public benefit activities such as providing poverty alleviation aid to the designated regions and contributing ongoing donations to the Hope Projects. In recent years, the company totally raised over RMB3.9 million for the projects including health care, school construction, road transportation and intellectual development. In 2011, the company also cooperated with the Communication University of China and the Anhui Susong County People's Government to jointly study the stay-at-home children issue, and developed the report of Present Situation Investigation and Practice Report on Stay-At-Home Children, which attracted great attentions from all parties and was reproduced wholly by People's Daily Online. The report was also

forwarded by the People's Daily to all provincial and ministerial departments, was specially reported by the research office of the State Council to the relevant leaders of the State Council, was given with important written comments by the leaders of the State Council, achieved desired results and contributed to the building of a good social image for the state-owned enterprise.



(viii) Further strengthened the company's work of party building and comprehensively improved the party nature of the party members and the overall qualities of the staffs

In 2011, the company, combining the celebration activities for the 90th anniversary of the CCP(Chinese Communist Party) founding , continued to implement the scientific concept of development, deeply carry out the activities of "constructing an advanced basic-level party organization and striving to be an outstanding Chinese Communist Party member", fully combine the celebration activities with the actual work of the company, and deliver the concepts and requirements of hardworking, loving and respecting their jobs, fulfilling their trust, improving the execution power and highlighting the work performance. The in-depth party building contributed to the comprehensive improvement of the party nature of the

party members and the overall quality of the staffs and ensured the smooth completion of all tasks of the company.

1. Carried out various activities to commemorate the 90th anniversary of the CCP founding. The company organized all staffs to visit the sacred place of revolution -Xibaipo to enable the staffs to further receive the traditional patriotic education.

2. Carried out the work relevant to the implementation and rectification of the scientific concept of development. First, the company carefully developed the implementation and rectification programs, concentrated on resolving the outstanding issues and effectively improved the institutional mechanisms. Second, according to the implementation and rectification program, the company implemented all rectification measures, listened to the opinions of the masses and the party members, summed up the achievements of the institutional innovation and seriously conducted the self-examination work.

3. Organized the activities of “constructing an advanced basic-level party organization and striving to be an outstanding Chinese Communist Party member”. The company rewarded the advanced party branch and outstanding party members. The activities stimulated the party members’ spirits of pioneering innovation and professional dedication, generated a contest upsurge of contrasting, learning, surpassing and helping, developing all party members’ good sense of becoming outstanding members.

4. Organized the party conduct and clean and honest government activities. First, the company formulated the Program of SIPF on Organizing the Party Conduct and Clean and Honest Government Activities and conducted the party conduct and clean and honest government activities in three stages. Second, the company conducted the self examination and correction on the staffs for trading stocks, acquiring illegitimate interests with insider information, avoiding the official business. Third, the company also organized the staffs to visit the Beijing anticorruption warning education base.

5. Organized the principles discussion meetings. The meetings centered on the political parties building, business strategic planning, internal management, qualified personnel development, corporate culture and humanistic concern, allowed the staffs to give comments and suggestions on various aspects of the corporate development and motivated the staffs’ enthusiasm to actively participate in the company management and care about the corporate development, achieving good results.

When recalling SIPF's work in the past years, we deeply realize that:

First, we must consistently adhere to the scientific concept of development. The scientific concept of development features the development as the first prerequisite, the people orientation as the core, the comprehensive and sustainable development as the basic requirements and the overall planning and all-round consideration as the fundamental approach. So the scientific concept of development is an important guidance adhered by SIPF on the long-time base. In recent years, the company persisted in giving priority to development, continuously explored the construction of the investor protection system with Chinese characteristics, adhered to the people orientation concept, took the protection of investors' interests as the starting point and goal of the company, preservers in the all-round, coordinated and sustainable development, highlighted the different work emphasis at the different stages in the capital market development, persisted in the overall-planning and all-round consideration working procedures and had promoted the coordinated development of all corporate businesses. The achievements of the company benefited from correct guidance of persistently adherence to the scientific concept of development.

Second, we must consistently adhere to contributing to the development and supervision of the capital market. Established in the reform and development of the capital market, SIPF also must serve the reform and development of the capital market because the company can prosper only when the capital market prospers. The booming situation of the capital market was critical for SIPF to smoothly complete the risk disposal job undertaken and repay the re-lending of the PBC ahead of schedule. Next, in order to achieve a long-term development, the company must focus on the need of the development of the capital market for the perfection of the investor protection system. Only in this way, the company's development would be scientific and would not deviate from the correct direction.

Third, we must consistently adhere to the spirit of pioneering innovation. Since its establishment, the company had encountered and overcome many difficulties. Both the participation in the risk disposal of the securities companies and the business development in recent years were new work, without available experience and precedents for reference. Under the correct leadership of the Party committee, the company, with the responsible attitude to the undertakings, strived to solve the problems occurred in the corporate development with innovative methods. It had been proved that the innovation

was important spiritual wealth of SIPF because the company could develop only by exploration and innovation.

Fourth, we must always adhere to the construction of ideological style. The ideological style was the key factor to determine the combat effectiveness of a team. Laying emphasis on the cultivation of ideological style, the leading group of the company had set up a contingent of cadres being able to bear hardships and stand hard work, daring to accept the challenges and willing to work hard with devotion, which were the basis for the ongoing development of the company's undertakings. After its founding, the company's new leading group put the cultivation of ideological style on a more prominent place. Through the cultivation of ideological style, the company had achieved the development of all corporate business and the comprehensive promotion of the work quality. In the future, the company will inevitably face many new situations and problems in the development process, encounter some predictable and unpredictable difficulties, which requires us to continue to strengthen the ideological style construction.

STATISTICAL FORMS



4.1 Indicator Instructions

1. 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, investor interaction and the like.

2. Statistical scope: 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.

RMB1.5 billion of central fiscal appropriation was spent on the disposal of Southern Securities, and on December 25, 2003, RMB259.6 million of special securities compensation fund was used on the disposal of Xinhua Securities. Data with respect to the other 24 securities companies are available under "Others" of relevant tables for your reference.

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 RMB100 million.

5. 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.

6. 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.

7. Investor interaction: it means an investor call and response mechanism established by SIPF with a purpose to actively respond to investors' demand and strengthen communication with investors.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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, business reputation, 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.

14. General account: it means accounts to be included under account clear-up of disposed securities companies that have been opened at disposed securities companies or other securities companies.

15. Normal brokerage account: it means an account with the money under it belonging to customer securities trading settlement fund. Pursuant to the Opinions on Acquisition and the Implementation Measures, customer securities trading settlement fund includes the money deposited at securities company by brokerage customers to ensure full payment, money from securities sale (minus brokerage commission and other fair charges), bonus, cash dividend and bond interest from securities holding, and interest from aforesaid funds.

16. Dormant account: it means any account that its customer has both securities account and capital account, but has not made any trading or fund transfer activities for three years before the date of disposal, and is out of contact, and has not made any claims up to the announcement of bankruptcy acceptance.

17. Single-capital account: It means any account that has no corresponding securities account up to the date of disposal and no customer claims before the announcement of bankruptcy acceptance.

18. Fund balance: it means the remaining amount under an account on the date of disposal.

19. 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 special fiscal fund of RMB1.500 billion 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.

20. 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.

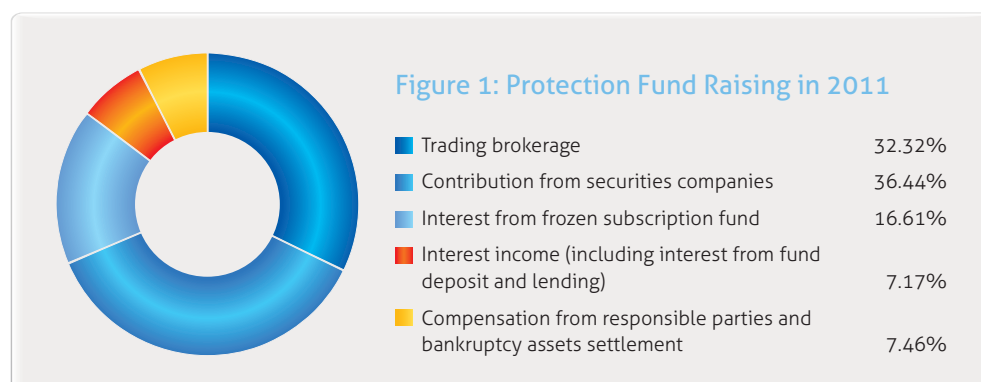
21. Deadline: December 31, 2011.

4.2 Summary of Statistics

[Fund Raising and Use]

SIPF raised RMB7.8718 billion in 2011, and among this, the trading brokerage was RMB2.5441 billion, accounting for 32.32%; the contribution from securities companies was RMB2.8681 billion, accounting for 36.44%; the interest from frozen subscription fund was RMB1.3078 billion, accounting for 16.61%, the interest income (including interest from fund deposit and lending) was RMB564.8 million, accounting for 7.17%; compensation from responsible parties and bankruptcy assets was RMB587 million, accounting for 7.46%.

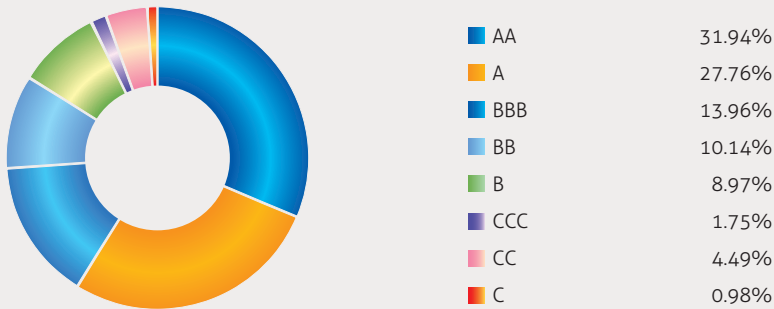
In 2011, net protection fund used amounted to RMB5.7117 billion, and among this, the net amount for risk disposition fund was -RMB176.2 million (56.9 million appropriated to risk disposition fund and 233.1 million protection fund principal refunded by trustee and liquidation agencies); interest repayment for PBC re-lending was RMB53.6 million; the repayment for PBC re-lending principal was RMB5.8343 billion.



[Securities Company Classification and Contribution]

In 2011, securities companies, subject to the rate approved by CSRC, contributed RMB2.8681 billion to the protection fund, with RMB916.1 million from AA-class securities companies, RMB796.1 million from A-class securities companies, RMB400.3 million from BBB-class securities companies, RMB290.9 million from BB-class securities companies, RMB257.4 million from B-class securities companies, RMB50.3 million from CCC-class securities companies, RMB128.9 million from CC-class securities companies, and RMB28.1 million from C-class securities companies.

Figure 2: Classification and Contributions of Securities Companies in 2011



[Historical Fund Raising and Use]

By the end of December 2011, SIPF accumulatively had received RMB11.0229 billion from trading brokerage, RMB15.4309 billion from securities company contribution, RMB16.6900 billion from interest of frozen subscription fund, RMB6.9 million from donation and RMB2.6179 billion from compensation from responsible parties and bankruptcy assets settlement.

As of the end of December 2011, SIPF had accumulatively paid RMB1.0731 billion of the raised fund for risk disposal, with RMB620.2 million for covering customer securities trading settlement fund and RMB452.9 million for purchasing personal creditor's right. By the end of December, SIPF accumulatively had paid RMB22.8945 billion and RMB1.8962 billion respectively for the principal and interest of PBC re-lending.

[Investor Interaction]

In 2011, SIPF call service received a total of 18,711 messages, of which 2,035 were business inquiries, accounting for 10.88%, and all the 2,035 inquiries were replied with the response rate of 100%, 487 were policy inquiries, accounting for 2.60%, and all the 487 inquiries were replied with the response rate of 100%; 4,940 were complaints and reports, accounting for 26.40%, and all the 4,940 complaints and reports were replied with the response rate of 100%; 11,249 were criticisms and suggestions for securities market, accounting for 60.12%, and all the 11,249 criticisms and suggestions were replied (handled) with the response rate of 100%.

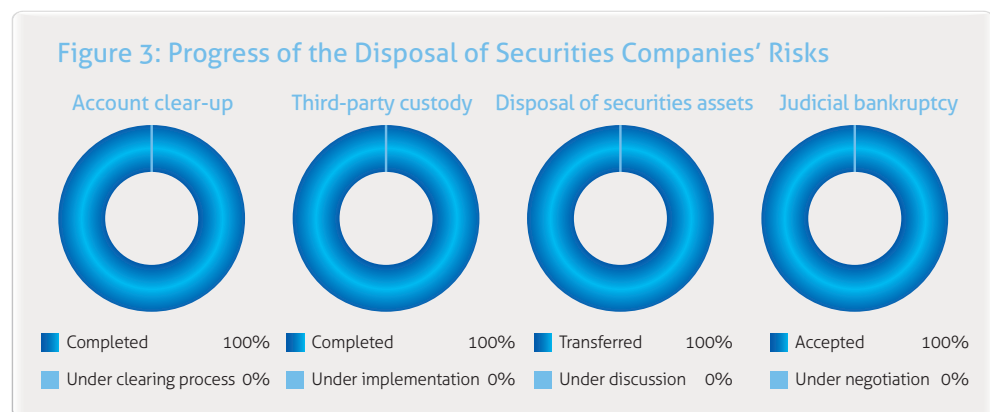
[Basic Situation of the Disposal of Securities Companies' Risks]

Account clear-up: by the end of December 2011, a total of 24 disposed securities companies had completed the account clear-up, 100% of all disposed securities companies (24 companies, the same below).

Third-party custody: by the end of December 2011, 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 third-party custody, accounting for 100% of the total.

Disposal of securities assets: by the end of December 2011, the transfer of securities assets of the 24 securities companies all had been completed.

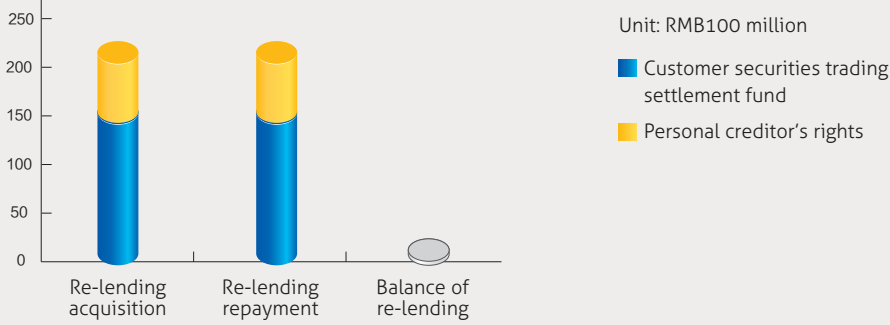
Judicial bankruptcy: by the end of December 2011, the judicial bankruptcy of 24 disposed securities companies (100% of the total) had been accepted by courts.



[Re-lending Acquisition and Repayment]

By the end of December 2011, SIPF had acquired RMB22.8945 billion of re-lending, and accumulatively repaid RMB22.8945 billion of the principal of re-lending. The balance of the principal stood at RMB0.0000 billion.

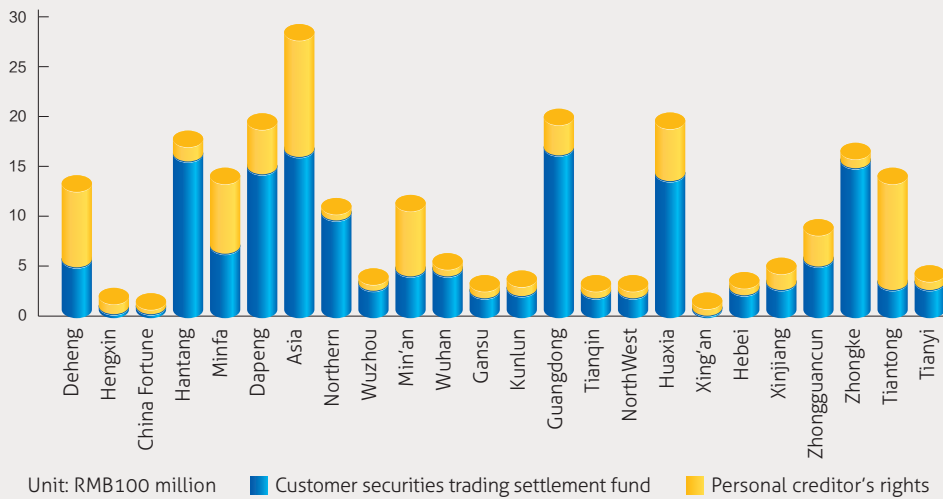
Figure 4: Use of Protection Fund in 2011



[Protection Fund Appropriation]

By the end of December 2011, SIPF had appropriated RMB22.4994 billion of protection fund to 24 disposed securities companies, of which, RMB16.2439 billion, accounting for 72.20%, was used to cover customer securities trading settlement fund, and RMB6.2555 billion, accounting for 27.80%, was used to acquire personal creditor's rights.

Figure 5: Protection Fund Appropriation by SIPF



[Accounts and Personal Creditors Involved in Protection Fund Appropriation]

By the end of December 2011, SIPF had appropriated RMB16.2439 billion to cover the shortfall of customer securities trading Settlement fund (including shortfall of dormant accounts and single-capital accounts), involving 9.67571 million normal brokerage accounts; SIPF had used RMB6.2555 billion to acquire personal creditor's rights, involving 61,310 personal creditors.

[Dormant Accounts and Single-capital Accounts of Disposed Securities Companies]

By the end of December 2011, dormant accounts of 24 disposed securities companies involved a balance of RMB450 million up to the date of disposal, and their single-capital account involved a balance of RMB66.1 million.

[Acquisition of Customer Securities Trading Settlement Fund]

By the end of December 2011, according to account clear-up reports and data from various disposed securities companies, customer securities trading settlement fund of 24 securities company had a shortfall of RMB16.5289 billion that needs apply for acquisition fund, including RMB516.1 million for dormant accounts and single-capital accounts not to be appropriated for the moment; SIPF paid RMB16.1688 billion to cover the shortfall of customer securities trading settlement fund (not including the acquisition of dormant accounts and single-capital accounts), with a surplus of RMB118.5 million refunded.

[Creditors' Rights]

By the end of December 2011, a total of 26 securities companies had entered bankruptcy and liquidation proceedings. SIPF was the largest creditors for 20 of them, and chairman of creditor committee for 19 of them.

Total creditor's rights formally declared by SIPF amounted to RMB25.2491 billion, and pre-declared creditor's rights reached RMB4.4845 billion.

[Compensation of Creditors' Rights]

By the end of December 2011, a total of 20 securities companies had distributed bankrupt properties. SIPF received RMB2.6920 billion of compensation in cash (including RMB 3 million received and managed on behalf on the MOF), 8,474,964 shares of Hafei Aviation Industry Co., Ltd, 32,625,414 shares of Harbin Pharmaceutical Group, 7,559,899 shares of Liaoning Cheng Da, 14,008,381 shares of Double-Crane Pharmaceutical, 18,609,302 shares of Nanfang Share, 9,408,047 shares of Inspur Software, 6,516,319 shares of Feida Environmental, 9,044,917 shares of China Software, 3,428,113 shares of ST Baihua, and 2,708,541 shares of CMST. SIPF received and managed on behalf of the MOF 90,406 shares of Hafei Aviation Industry and 348,032 shares of Harbin Pharmaceutical.

[Special Audit]

By the end of December 2011, securities transaction settlement fund special audit reports of 24 disposed securities companies were all completed, personal creditor's right special audit reports of 22 securities companies were completed.

CHRONICLE IN 2011



January

On January 4, 2011, formally launched the provisional announcement of fund information disclosure and system on line.

February

On February 14, 2011, convened the company's first board meeting of 2011.

March

On March 4, 2011, convened the company's second board meeting of 2011, on which the 2010 Financial Report and the 2011 Financial Budget Report were reviewed.

On March 23, 2011, submitted the SIPF Summary of Work in 2010 and the Major Work in 2011 to the CSRC.

On March 31, 2011, reported the Financial Report in 2010 and the Financial Budget Report in 2011 to the Ministry of Finance.

On March 31, 2011, the *Survey and Evaluation Report on Investor Protection* were compiled and published.

April

On April 7, 2011, the startup work of promotion and application of the Securities Trading Settlement Fund Monitoring System.

On April 13, 2011, completed the acquisition of all personal creditors' rights.

On April 14, 2011, held the company's 5th party committees meeting to reward the excellent party branches, outstanding party members and excellent party workers.

On April 17, 2011, completed the two-year poverty reduction work in Susong County, Anhui Province, which was fully affirmed and highly praised by the local government.

On April 28, 2011, participated in the 2010 Annual General Meeting of Essence Securities Co., Ltd. and handled the adjustment of members of the Board of Directors and the Board of Supervisors.

On April 29, 2011, completed the 2010 company's annual audit work.

May

On May 3, 2011, promulgated and implemented the *SIPF Measures of the Administration of Education and Training of the Employees*.

On May 13, 2011, carried out activities to commemorate the 90th anniversary of the founding of the CCP (field trips to Xibaipo).

On May 14, 2011, participated in the 22nd XBRL International General Assembly held in Brussels, Belgium.

On May 19, 2011, paid RMB5.835 billion for the principal of PBC re-lending. The principal of PBC re-lending was fully repaid.

On May 25, 2011, the investor education online game software formally ran on the Investor Protection website.

On May 29, 2011, undertook the 16th regular meeting of the joint conference of self-regulatory organizations in the securities industry.

On May 31, 2011, completed the final settlement of the protection funds submitted by the securities companies.

June

On June 3, 2011, promulgated and implemented the *Statistical Management Interim Measures of SIPF*.

On June 17, 2011, promulgated and implemented 12 regulations including *Interim Provisions on Confidential Management of Guarding Departments and Positions*.

On June 23, 2011, convened the first Securities Investor Survey training meeting of 2011.

On June 28, 2011, as one of SIPF's 26 bankrupt securities companies, Dapeng Securities started its final bankruptcy procedures.

On June 30, 2011, convened the evaluation forum for the investor education "Five-First" project and issued the *Evaluation Report on the Investor Education "Five-First" Project of the SIPF*.

July

On July 20, 2011, completed the 2011 evaluation on the investor protection of listed companies and formed the evaluation report.

On July 25, 2011, completed the 2011 evaluation on the investor protection of securities companies and formed the evaluation report.

August

On August 5, 2011, achieved the on-line collection of remotely submitted information on the Investor Protection website for the first time.

On August 11, 2011, held the opening ceremony of the Investor protection-themed Public Service Ads Flash Collection contest.

On August 30, 2011, the electronic information disclosure data stepped into the market application stage.

September

On September 16, 2011, the TV series “Dancing K-line” started to be broadcasted on the CCTV8 channel.

On September 20, 2011, convened the third boarding meeting of 2011 to allow the change of company organization, the new establishment of management, the modification of the Articles of Association and the change of legal representative to be studied and discussed.

On September 23, 2011, the development and construction of the initial public offerings’ electronic information disclosure system was completed and the application testing phase of the system had started.

October

On October 12, 2011, convened the 2011 discipline inspection cadres training meeting.

On October 13, 2011, Zhuang Xinyi, the Vice Chairman of the CSRC visited the company and announced the change of the leading group of the company. The party committee of the CSRC determined to appoint Liu Hongtao as the company’s secretary of the Party Committee and the Chairman, Zhuang Mu as the company’s deputy secretary of the Party Committee, the Vice-Chairman and the general manager, and Ma Donghao and Zhang Xiaowei as the vice-general manager.

On October 13, 2011, the first session of the second boarding meeting was convened.

November

On November 8, 2011, convened the third session of the second Party committee meeting to study the adjustment of the leading group of Beijing Huazheng Puhui Information Co., Ltd.

On November 10, 2011, convened the second Securities Investor Survey training meeting of 2011.

On November 16, 2011, convened the commendatory meeting of “constructing an advanced basic-level party organization and striving to be an outstanding Chinese Communist Party member” and rewarded the advanced party branch, outstanding party members.

On November 17, 2011, convened the first session of the second congress of Union and selected the members and Chairman of the second Company Union.

On November 17, 2011, the company's autumn sports meeting of 2011 was held.

On November 18, 2011, Convened the annual principles discussion meeting of 2011, on which the issues like party organization building and corporate development were discussed.

On November 28, 2011, completed the registration change of the business license, the legal representative, the articles of association, the directors, the senior management personnel, etc.

On November 29, 2011, the Fund Channel of China Securities Investor Protection website was formally launched on line.

December

On December 5, 2011, the new Investor Protection website formally ran on line.

On December 6, 2011, completed all joint testing work of the monitoring system before its running on line.

On December 8, 2011, convened the 2011 Meeting of Securities Investor Survey Network Alliance, on which the securities companies and business departments with outstanding performance annually were rewarded.

On December 13, 2011, participated in the working group meeting on the investor compensation scheme of the European Forum of Deposit Insurance (EFDI).

On December 20, 2011, signed a *Memorandum of Understanding with the European Forum of Deposit Insurance (EFDI)*.

On December 21, 2011, convened the conclusion meeting of 2011 XBRL system construction work.

On December 22, 2011, convened the 19th five-member team meeting on the risk disposal of securities companies, on which the Guideline on Handling the Follow-up Matters of the Risk Disposal of the Securities Companies was discussed.

On December 23, 2011, convened the second session of the second board meeting of 2011.

On December 28, 2011, the company joined the Securities Association of China as a Special Member.

RELEVANT POLICIES, LAWS AND REGULATIONS (LIST)



1. Opinions on Acquisition of Personal Creditor's Rights and Customer Securities Trading Settlement 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 Settlement 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 Settlement 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)
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 Settlement 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)
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)
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)
31. 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)
32. Circular on Judgment and Enforcement of the Supreme People's Court on Cases Related to the Disposed Securities Companies in Accordance with Applicable Laws
(F.F. [2009] No.35 Promulgated on May 26, 2009)
33. Announcement Concerning Relevant Issues of Securities Trading Settlement Fund Monitoring System
(February, 23, 2010, CSRC Announcement [2010] No.6)
34. Circular of Supreme People's Court on Issues Concerning Freezing and Compulsory Transfer of Customer Securities Trading Settlement Fund of Disposed Securities Companies by Some People's Courts
(June 22, 2010, Min Er Ta [2010] No.21)



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