

# 2018

CHINA SECURITIES INVESTOR PROTECTION FUND CORPORATION LIMITED  
ANNUAL REPORT 2018

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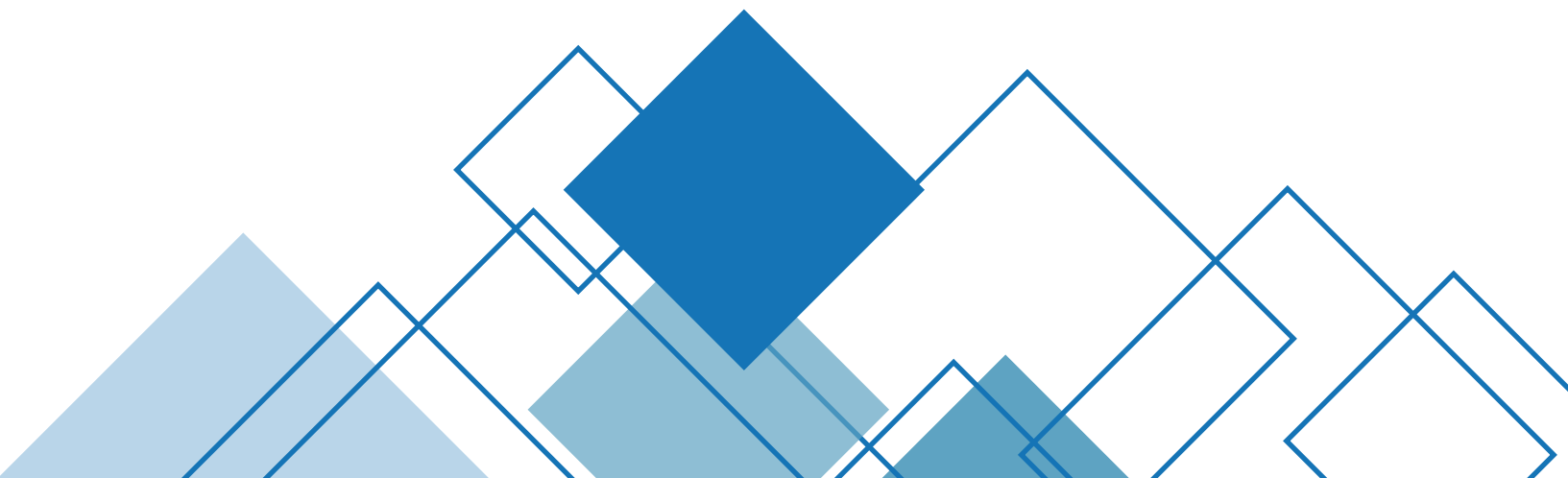
## MESSAGE FROM GENERAL MANAGER

In the past year, we tightly clung to the main line of “full and strict governance over the Party” and issued the SIPF Opinion on Implementing Full and Strict Governance on the Basis of Full and Strict Governance over the Party as all-around guidance for SIPF to deal with various matters and affairs; we actively integrated our resources in accordance with regulatory and investor protection requirements to focus on three aspects, i.e. “prevention and resolution of financial risks, support and service for supervision, protection of investors’ lawful rights and interests”; we properly planned and proceeded with 6 platforms for the purpose of supporting regulation and service and ensuring smooth inside and outside functioning; and 5 systems turned to be fruitful and effectively pushed the cause of investor protection up to a higher level.

In the past year, we adhered to the principle of comprehensive, strict and law-based regulation, carefully monitored investors’ funds and securities companies’ risks, worked hard to prevent and resolve financial risks, acted like a hawk’s eye to ensure investors’ fund security and as a “health examination center” for securities companies to firmly safeguard the “wallet” of investors. We conducted investor protection assessment and capital market survey in strict accordance with objective, fair and authoritative standards, prepared and published the 2017 Whitepaper on Investor Protection in Chinese Capital Market, properly assessing and encouraging capital market participants to enhance the effectiveness of their investor protection efforts. We adhered to warm, effective and innovative service, innovatively diversified securities and futures dispute resolution and introduced “shared account”, and mediated more than 400 cases for competent courts, involving over RMB 60 million; improved the quality and efficiency of the 12386 Hotline through multiple sources, and we accepted over 80,000 investor complaints throughout 2018, recovering over RMB 10 million for investors, and “call 12386 if you have any problem” has become a consensus for investors. At the same time, via our proprietary systems, we established extensive collaborative mechanisms with courts, CSRC departments and branches, media and IT companies and spared no efforts to build a “circle of friends” for investor protection. Through Party building and corporate culture building, we strived to build a political environment and corporate culture that is “upright, robust and promising”, successively issued the Implementing Opinion on Further Strengthening Corporate Culture Building and the Implementing Opinion on Further Caring for Cadres’ Physical and Mental Health, reinforced the Party’s leadership over mass organizations, worked out the mechanisms to take care of cadres’ physical and mental health; and issued the Opinion on Further Encouraging Cadres to Assume New Responsibility and Have New Acts in the New Era to instruct cadres and staff members to be accountable and invigorated. Above achievements are hard earned and indispensable from considerate support and correct guidance from higher level, active collaboration from inside and outside the CSRC, example setting by the management and concerted and sincere cooperation from all staff members.

“Ninety miles are only half of a 100 miles’ journey”, and the cause of investor protection will never cease. In 2019, SIPF and its staff members, at a new starting point, will cherish the opportunities in connection with the national reform and opening up, strive to be firm, enterprising, bold, confident, diligent, unyielding and steady, spare no efforts to build a regulated, transparent, open, dynamic and resilient capital market, work out specific measures, properly carry out “three major missions”, step up efforts to promote high-quality capital market development and put in place a solid shield against major risks and a brighter prospect for the cause of investor protection to give a satisfactory response to the Party and the people!

Gong Haibin  
Deputy Secretary of Party Committee  
Vice Chairman and General Manager



## CORPORATE PROFILE



### Board of Directors and the Management

Ms. Peng Jing	Mr. Zhang Chen	Mr. Gong Haibin	Ms. Liu Huilan	Ms. Zhang Xiaowei	Mr. Ge Yi
Party Committee member	Party Committee member	Party Committee Deputy Secretary	Party Committee member	Party Committee member	Party Committee member
Secretary of Committee for Disciplinary Inspection	Vice Chairman	Vice Chairman GM	Vice Chairman	Deputy GM	Deputy GM

## INTRODUCTION AND ORGANIZATION

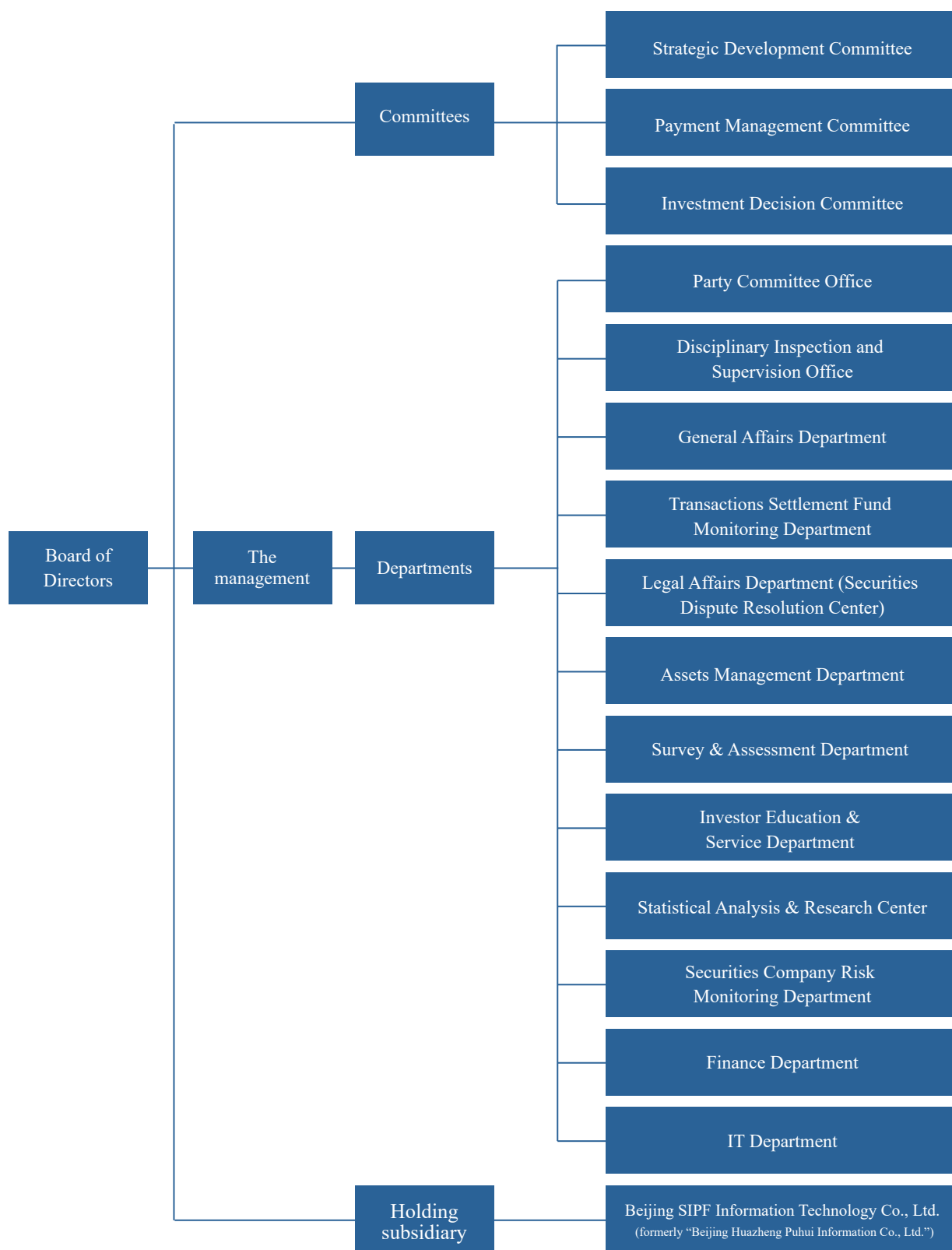
With the approval of the State Council, the CSRC, the MOF and the PBC promulgated the Measures for the Administration of Securities Investor Protection Fund (the “Measures”) in June 2005, which provides for the establishment of the wholly state-owned China Securities Investor Protection Fund Corporation Limited (hereinafter “SIPF”) and the articles of association of the SIPF. On August 30, 2005, SIPF was registered with the State Administration for Industry and Commerce, with a registered capital of RMB 6.3 billion that is provided by the State Council through the MOF. SIPF is subordinate to the CSRC.

Decision making is the responsibility of the Board of Directors, and the management is responsible for corporate operation and management. Inside the SIPF there are 12 departments: Party Committee Office, Disciplinary Inspection and Supervision Office, General Affairs Department, Transactions Settlement Fund Monitoring Department, Legal Affairs Department, Assets Management Department, Survey & Assessment Department, Investor Education & Service Department, Statistical Analysis & Research Center, Securities Company Risk Monitoring Department, Finance Department and IT Department; below the Board of Directors there are three special committees, i.e. Strategic Development Committee, Payment Management Committee, and Investment Decision Committee; SIPF has 1 subsidiary: Beijing SIPF Information Technology Co., Ltd.

By the end of 2018, SIPF had a total of 80 cadres and employees, all with a bachelor degree or above, and those with a master degree or above accounted for 70.37%. By specialty, those of finance, law, accounting, statistics and IT majors accounted for about 70%; in terms of age, staff members had an average age of 33.9, and those at or below 35 accounted for 65.43%.



# ORGANIZATION CHART



Study and provide proposals, solutions or schemes concerning SIPF's long-term strategic development plan and important matters that may affect SIPF's development.

Formulate remuneration management measures and solutions, and oversee their implementation.

Review SIPF's plans in respect of investment, bank deposit and disposal of foreclosed assets, and inspect the implementation of these plans.

Responsible for Party Committee's general affairs, ideological propaganda and organization building.

Responsible for Disciplinary Inspection and Supervision Committee's general affairs, Party style and integrity building, disciplinary supervision and enforcement, and matters related to internal audit.

Responsible for general administrative service, logistics support, HR management, service for the Board of Directors, media publicity, website maintenance, international cooperation and exchange, matters of non-disclosure, and daily work of the Labor Union.

Responsible for the construction, operation, maintenance and routine management of securities transaction settlement fund monitoring system, as well as data comparison, alert and monitoring analysis.

Responsible for SIPF involvement in the risk disposal of securities companies, management of special compensation funds and administrative settlement funds, securities dispute resolution, legislation related to securities investor protection, SIPF's legal affairs and relevant publicity.

Responsible for investment of proprietary and protection funds, management and disposal of foreclosed assets, routine work of the Investment Decision Committee, and routine management and coordination of companies held or participated by SIPF.

Responsible for investor and market player survey, preparation and release of diversified confidence index system, assessment of capital market investor protection, and collection of investor information.

Responsible for 12386 Hotline construction, operation, maintenance and upgrade as well as Hotline operation team building and management, message posting management of SIPF MicroBlog and WeChat, and investor education.

Responsible for routine statistic inquiry and analysis, data study, management of investor protection journals and research of important issues, construction and management of statistical analysis system, etc.

Responsible for monitoring securities companies for liquidity risk and other risks, work with regulatory authorities to inspect risk clues, study key businesses and prominent issues, maintain the risk monitoring expert panel.

Responsible for accounting & supervision, financial management, managing the budgets and accounts, raising protection fund, accounting of administrative settlement payments in accordance with laws, etc.

Responsible for overall planning of IT resources, centralized management of IT systems, management and coordination of IT system construction projects, and purchase and management of IT system equipment.

Line of business: technical consulting, technology development, technical service; technology transfer, information consulting service, investment consulting, e-commerce service, sale of computer software and ancillary devices, catering management.



## MAIN FUNCTIONS

Pursuant to the Measures for the Administration of Securities Investor Protection Fund promulgated by the CSRC, the MOF and the PBC, China Securities Investor Protection Fund Corporation Limited (hereinafter “SIPF”) is to raise, manage and operate the securities investor protection fund; to monitor risks of securities companies and participate in the risk disposal 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, or administrative takeover, trustee operation by CSRC; to organize and participate in the liquidation of the dissolved, closed or bankrupt securities companies; to manage and dispose foreclosed assets and safeguard SIPF’s rights and interests; to put forward regulatory and disposal suggestions to CSRC in case a securities company’s operation and management may have material risks that may damage the legitimate interests of investors and the safety of the securities market; to work with relevant authorities in establishing a rectification mechanism for the potential risks arising in the course of the operation of securities companies; and to undertake other functions approved by the State Council. In recent years, for the purpose of investor protection, SIPF, led by the CSRC, has successively started to monitor clients’ transaction settlement funds and securities companies’ risks, conduct investor protection assessment and investor survey, operate and maintain 12386 Hotline for the CSRC and introduce diverse mechanisms for securities & futures dispute resolution. In 2015, upon approval by the CSRC, SIPF began to be responsible for managing administrative settlement funds.

With financial risk resolution and investor protection as two core missions, SIPF has gradually explored and established an overall development and management framework, which consists of “1 main line, 3 aspects, 5 systems and 6 platforms”: 1 main line means the full strict governance over the Party; 3 aspects include prevention and resolution of financial risks, support of ancillary service supervision and protection of investors’ lawful rights and interests; 5 systems refer to the risk monitoring and warning system, the investor compensation system, the investor complaint response system, the investor protection assessment system and the protection fund raising management system; and 6 platforms are put in place, including the Party building and disciplinary inspection platform, the risk prevention and control system, the information release and public opinion management platform, the investor contact and mediation platform, the statistical analysis and big data platform and the information technology platform. Based on such systems and platforms, SIPF has been able to further integrate its data, HR, practice, experience, technology and resource advantages and to play a positive role in preventing and resolving financial risks, protecting investors’ lawful rights and interests and ensuring capital market’s steady and healthy development.

## HOLDING SUBSIDIARY INTRODUCTION

### Introduction to and Organization of SIPF Information Technology Co., Ltd.

Beijing SIPF Information Technology Co., Ltd., established in August 2006 with registered capital at RMB125 million, is a subsidiary under SIPF, with participation by SSE INFONET LTD and Shenzhen Securities Information Co., Ltd. It is intended to serve the market, regulatory authorities and investors and provide IT support and service to SIPF and securities investor protection via relevant information technologies, including the securities market transaction settlement fund monitoring system, the statistical inquiry and analysis system, the shares and options investor fund inquiry system, the protection fund submission system, SIPF website and office automation, etc. The Shareholders' Meeting has the supreme power, and inside it there are General Affairs Department, Technology Depart I, Technology Department II and Data Analysis Department.





# PERFORMANCE IN 2018

## I. Giving full play to the monitoring system as an eagle's eye and building an “iron cage” against securities company risks to firmly safeguard the “wallet” of investors

### 1. Steadily proceeding with fund monitoring and warning to timely report fund risk clues and problems.

First, throughout 2018, SIPF carefully monitored securities companies and custodian banks and timely referred their fund security problems and clues to relevant CSRC branches, with the amount involved and the number of warning decreasing year after year. Second, SIPF strengthened typical case training and problem notification to motivate securities companies and custodian banks to consistently enhance their compliance risk control, and for the purpose of this, it compiled and published the 2017 Collection of Cases and 4 issues of the Case Briefing, and provided training to more than 330 staff members from 104 securities companies. Third, SIPF organized and convened the meeting to review and report fund security and custody in 2018 to regulatory authorities and self-regulatory organizations, and on the occasion of the 10th anniversary of the third-party custody mechanism, SIPF and all 23 custodian banks held a special meeting to examine potential risks and exchange opinions on how to optimize the third-party custody and to build relevant rules.



(2018 Training Course on the Transaction Settlement Fund Monitoring System)

### 2. Monitoring risks related to stock pledge, bond default and other key areas to timely report major problems and maintain stable market functioning.

First, SIPF formulated a special monitoring plan for funds from stock pledge repo transactions and implemented it together with the Measures for Stock Pledge Repo Trading, Registration and Settlement, and in 2018, SIPF monitored and warned against 14 securities companies with respect to financing compliance, default disposition and other problems. Second, SIPF timely found and reported 7 bond pledge repo transactions that exposed securities companies to fund security risk and liquidity risk as a result of bond market's credit risk. Third, SIPF found and disposed 3 ABS transactions with problematic initial registration, selling-back and buying-in. Fourth, SIPF timely reported 2 cases of mistaken freezing of clients' transaction settlement fund by custodian banks upon request by judicial authorities, causing the CSRC to coordinate with the Supreme People's Court to refine relevant provisions.



(2018 Fund Security and Custody Briefing)



### 3. Extending the coverage of the monitoring system to support innovative business development.

First, SIPF attended the assessment of transaction pattern conversion for newly established fund companies and incorporated the piloted public funds into the monitoring system. Throughout 2018, SIPF assessed 19 transaction pattern conversion plans and fund products performed well in respect of fund security and had no circumstances of fund security warning. Second, SIPF was prepared for the launch of the “Shanghai-London Stock Connect” and worked out a client fund monitoring plan for Chinese depositary receipts under the “Shanghai-London Stock Connect”. Third, SIPF maintained close contact with the Shenzhen Stock Exchange and the CSDC in respect of ETF options and improved the client fund monitoring plan in connection with stock option transactions on Shenzhen market. Fourth, SIPF examined the account system, settlement logics and risk points in connection with securities companies’ spot exchange transactions, and formulated the plan for relevant data submission. Fifth, SIPF amended the Monitoring System Interface Specifications for Securities Companies specifying data submission requirements for three-party bond pledge repo transactions, and refined the classification of public fund and other institutional investors. Sixth, SIPF properly conducted private fund analysis and reporting.

### 4. Deepening and refining the risk monitoring for securities companies to effectively resolve and build an “iron cage” against their risks.

First, SIPF carefully monitored and analyzed core risks. Based on stock market momentum in 2018, SIPF launched a special study around key areas such as stock pledge and debt default, and produced 5 special reports. Second, SIPF drew “precise image” for listed securities companies and separately reported risk monitoring results for these leading securities firms, further acting as a “warner” for securities companies. Third, SIPF deepened cooperation with CSRC branches for the benefit of frontline supervision. Throughout 2018, it signed the MOUs and established exchange and cooperation mechanisms with 10 CSRC branches. Under the framework of the MOUs, SIPF provided regional risk briefings to 18 CSRC branches to help them understand the overall circumstances, and provided company-specific risk briefings to 40 securities companies to urge their management to attach importance to and early implement risk management. Throughout 2018, SIPF reinforced its role as a “health examiner” for securities companies by sending



(Statistical Expert Panel held the 2nd Symposium on Securities Company Risk Monitoring in 2018.)

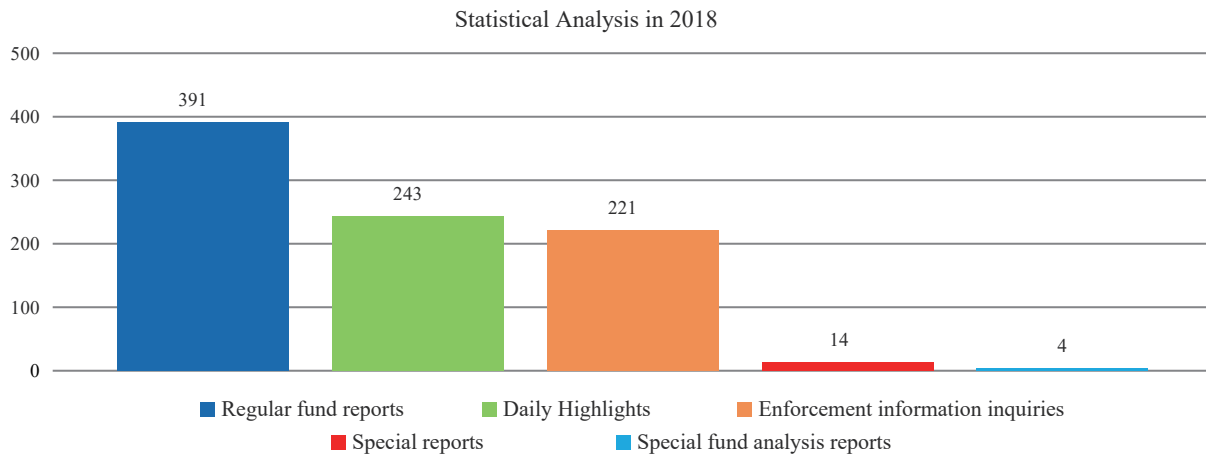
a total of 628 various briefings to regulatory authorities and securities companies. Fourth, SIPF enriched the risk monitoring product framework. Based on monthly “risk scanning” for all securities companies, SIPF introduced a regular reporting mechanism and sent a total of 12 monthly reports and 4 special reports to timely notify regulatory authorities of the industry’s overall risk situation and prominent risk issues. Fifth, SIPF optimized the system of risk monitoring indicators. It refined the multilevel risk monitoring system to cover company-specific risks as well as security industry risks, and conducted special risk monitoring and study to produce reports on micro- and meso-risk indicator system.

“Five-Dimension” Risk Indicator System

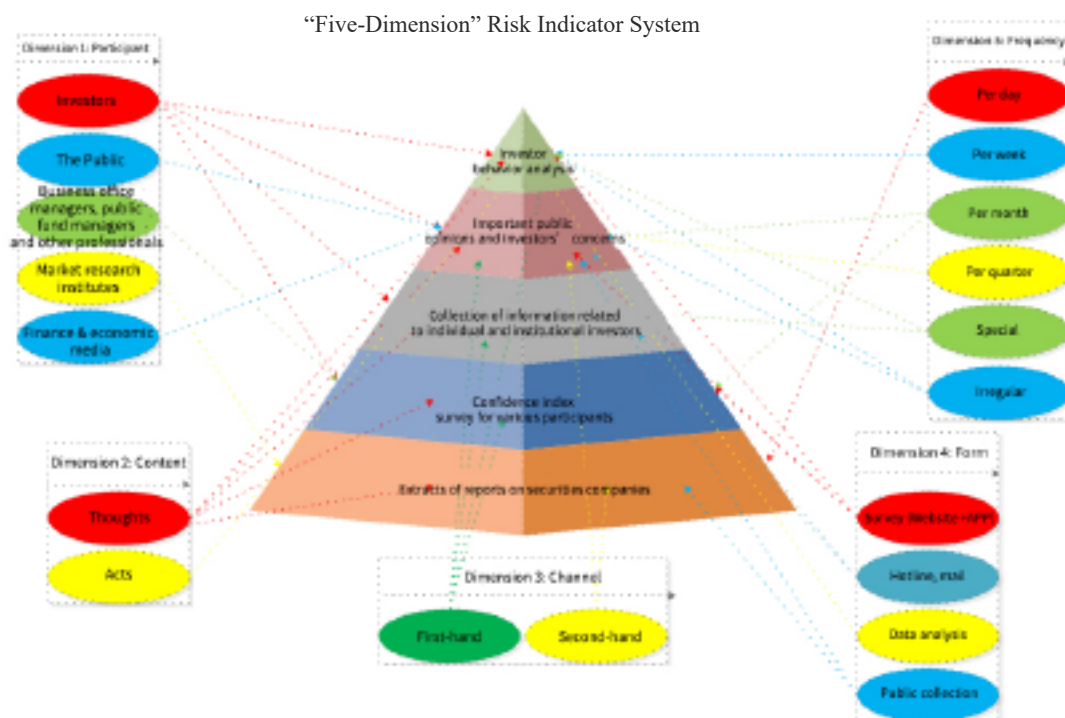


## 5. Conducting statistical analysis on the basis of clients’ fund, professional opinions and other relevant data and information to provide precise support to ancillary service supervision.

First, SIPF strengthened client fund data analysis. It paid close attention to market situation and changes of clients’ transaction settlement fund, further enriched and optimized the algorithm in respect of overall size, number of accounts, investor structure and fund flows, strengthened fund data analysis, shared and exchanged data from the monitoring system and reinforced the special fund study. In 2018, SIPF submitted a total of 391 fund reports and 4 special reports.



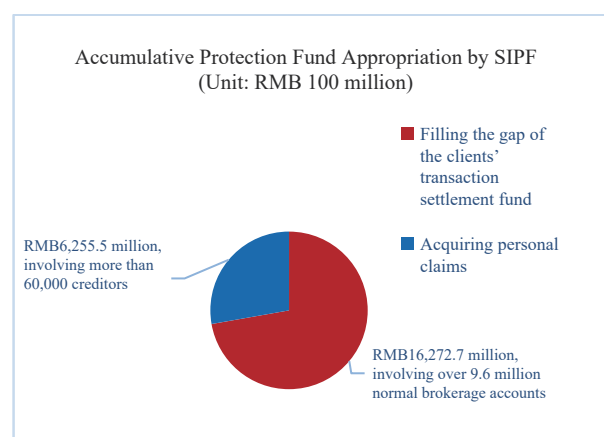
Second, SIPF collected professional opinions and other relevant market information and reinforced the study with respect of specific issues. Oriented to market, risk and hot issue, SIPF reinforced the study of a series of domestic and foreign market risk events and hot issues to follow the interpretation of many authoritative analysts in an objective, extensive and timely manner and promptly reflected the opinions and orientation of various market players. In 2018, SIPF prepared 243 Daily Highlights and 4 special reports for reference by regulatory authorities, and particularly, The Cause and Impact of the Turkish Monetary Crisis and An Overview of Current Economic and Financial Situation in China and Future Trends were submitted to the General Office of the CPC Central Committee, the General Office of the State Council and the General Office of the Central Leading Group for Financial and Economic Affairs. Third, SIPF strengthened technical service supervision and enhanced the level of data inquiry. Through information and technology-based data inquiry, SIPF further provided data service for market regulation.



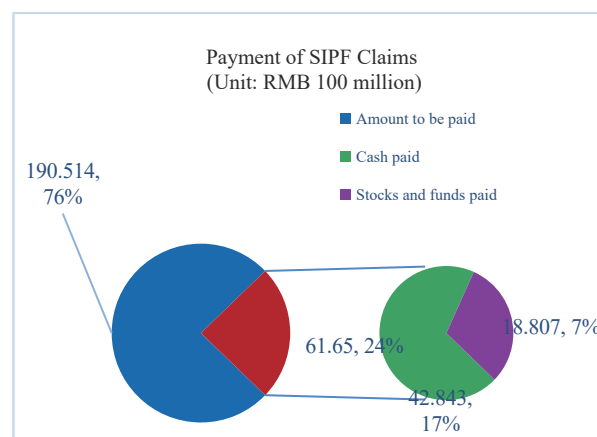
## II. Acting as a good “abacus” for investors on the basis of characteristic securities dispute mediation mechanisms and the multilevel investor compensation system

### 1. Compensation by SIPF for securities company risk disposition

SIPF will compensate investors in accordance with relevant policies when a securities company is cancelled, closed down or bankrupted. Upon paying the creditors of such a securities company out of the protection fund, SIPF will obtain the corresponding claims and may participate in the liquidation in accordance with laws. So far, SIPF has participated in the bankruptcy liquidation of 26 disposed securities companies, and used the protection fund for 24 disposed companies. In 2018, SIPF steadily proceeded with securities company risk disposal: first, SIPF paid RMB 7.73 million out of the protection fund to acquire activated dormant accounts and single-fund accounts of former Asia Securities; second, SIPF duly performed the duty as a creditor to actively push forward the bankruptcy process of 26 disposed securities companies, and received RMB 43.57 million from asset allocation.



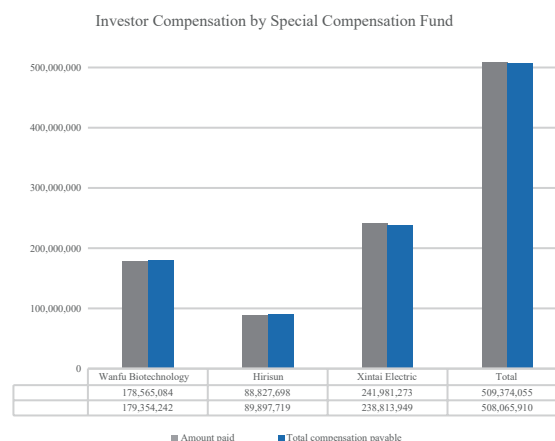
(Note: by the end of December 2018, SIPF appropriated a total of RMB22,528.2 million to 24 disposed securities companies, including RMB16,272.7 million for filling the gap of the clients' transaction settlement fund, involving over 9.6 million normal brokerage accounts, and RMB6,255.5 million for acquiring personal claims, involving more than 60,000 creditors.)



(Note: claims duly declared by SIPF totaled RMB25,216.4 million (excluding those managed on behalf of the MOF), and cash paid to SIPF was up to RMB 4,284.3 million and stocks and funds paid to SIPF totaled RMB 1,880.7 million.)

### 2. Compensation by special compensation fund established by responsible parties

Special compensation fund set by responsible parties is to indemnify the losses incurred by investors as a result of a listed company's securities misrepresentation. SIPF actively promoted advance compensation by responsible parties. Since 2013, SIPF was entrusted and successively acted as the administrator of 3 compensation funds for Wanfu Biotechnology, Hirisun and Xintai Electric and took charge of the administration, operation and disposition of the assets of these funds. From these three special compensation funds, a total of 34,306 eligible investors received compensation, accounting for more than





95% of total eligible investors, and a total of RMB509,374,055 was paid, accounting for over 99% of the total. The effect of such compensation was prominent and received unanimous praises from market and investors.

### 3. Compensation by administrative settlement fund

During CSRC enforcement investigation, an administrative counterpart may voluntarily propose administrative settlement to the CSRC and pay an administrative settlement fund for compensating investors' losses. SIPF will duly act as the administrator for such administrative settlement fund, and prepare and implement the plan of compensation by administrative settlement fund. In 2018, subject to CSRC's overall arrangement, SIPF made various preparations for the administration of administrative settlement fund.

### 4. Characteristic securities dispute resolution

In 2018, as a mediator designated by the Supreme People's Court and the CSRC for the pilot of securities and futures dispute mediation, in order to implement the SPS and the CSRC's requirements concerning establishing and improving effectively connected, coordinated and facilitating diverse securities and futures dispute resolution mechanisms, SIPF gave full play to its advantages in respect of relevant practice, experience and specialized analysis and computation, introduced innovative patterns of work and characteristic securities dispute resolution mechanisms and made considerable breakthroughs in assisting judicial authorities to adjudicate the cases of misrepresentation by listed companies, innovatively connecting litigation and mediation and promoting diversified securities dispute resolution.



### 5. Mediation cases

#### ◆Case 1: Expanding special advantages to assist with the judicial adjudication of the case of Shandong Molong

In April 2018, Jinan Intermediate People's Court requested SIPF to provide technical support for the case of securities misrepresentation by Shandong Molong. Pursuant to relevant requirements raised by Jinan Intermediate People's Court, SIPF chose multiple indices and transaction data, calculated and compared stock price and index fluctuation in multiple periods, conducted multi-sample calculation and comparison with respect to determination of the date of disclosure, how to exclude systematic risk and other disputed issues, compared and demonstrated the calculation of average buying price, and issued several advisory opinions and investor loss calculation reports to the Court. The first



(Discussing the case with Jinan Intermediate People's Court)

instance of the case adopted SIPF's opinion and upheld over RMB 1.1 million claimed by investors, receiving attention and positive comment from the public. After an appeal was instituted, upon request by the court of second instance, SIPF provided technical support and relevant opinions which were accepted as well, and Shandong Provincial High People's Court finally made the judgment of second instance and upheld the original ruling. In 2018, SIPF was highly recognized by the Court and conducted investor loss calculation for 78 cases of first instance in connection with Shandong Molong as entrusted by Jinan Intermediate People's Court.



(SIPF was put to the test in the case of Shandong Molong and received wide praises)

◆ **Case 2: Establishing the dedicated “escrow account” to actively promote a listed company to reach a settlement**



(Case settlement ceremony )

Entrusted by Beijing No.1 Intermediate People's Court, SIPF worked with China Securities Investor Services Center to mediate the cases of civil compensation for securities misrepresentation by a listed company. In the course of mediation, SIPF made use of its advantages in respect of fund administration and investor loss calculation and worked innovatively, and after rounds of negotiation, eventually established a “shared account” with the listed company to resolve the concerns of both parties and contribute to the settlement of 82 cases, and 82 investors were compensated nearly RMB 14 million.

◆ **Case 3: Establishing the special compensation account for securities and futures dispute mediation to effectively facilitate the settlement of the cases of Sinovel**

Entrusted by Beijing No.1 Intermediate People's Court, SIPF mediated a total of 81 cases of dispute in connection with securities misrepresentation by Sinovel. After rounds of negotiation, SIPF and the listed company agreed to establish the “special

compensation account for securities and futures dispute mediation”, with the listed company to pay the compensation to the special account and SIPF to negotiate with investors, and eventually, the parties reached a compromise, and the mediation of these 81 cases in connection with this listed company was completely finished in a short time, with a total of RMB 2.52 million being paid to these 81 investors. Based on this successful practice, 154 investors of Sinovel voluntarily applied to SIPF for mediation and received near RMB 0.70 million as compensation. The success of this case demonstrates that it is practical to mediate in an innovative form by establishing the “special compensation account for securities and futures dispute mediation”, and such form can be replicated.



(Participating in court mediation as people’s mediator )

### III. Steadily promoting the investor protection assessment system to assess various market participants and create an “iron ruler” for investor protection assessment

#### 1. Preparing and publishing the 2017 Whitepaper on Investor Protection in Chinese Capital Market to make for more timely, well-targeted and effective assessment

The 2017 Whitepaper contains a great number of subjective and objective data, more than 160 assessment indicators, over 70 conclusions and 30 recommendations, and for the first time, SIPF prepared the Investor Protection Assessment Report for Securities and Futures Enforcement. The Whitepaper has become a measure yard for the effectiveness of capital market investor protection mechanisms. SIPF also actively expanded the scope of application of the Whitepaper, published it via the People’s Daily, Xinhua News Agency and other renowned media, and submitted it to more than 180 units, including the General Office of the CPC Central Committee, the

A series of report of the 2017 Whitepaper

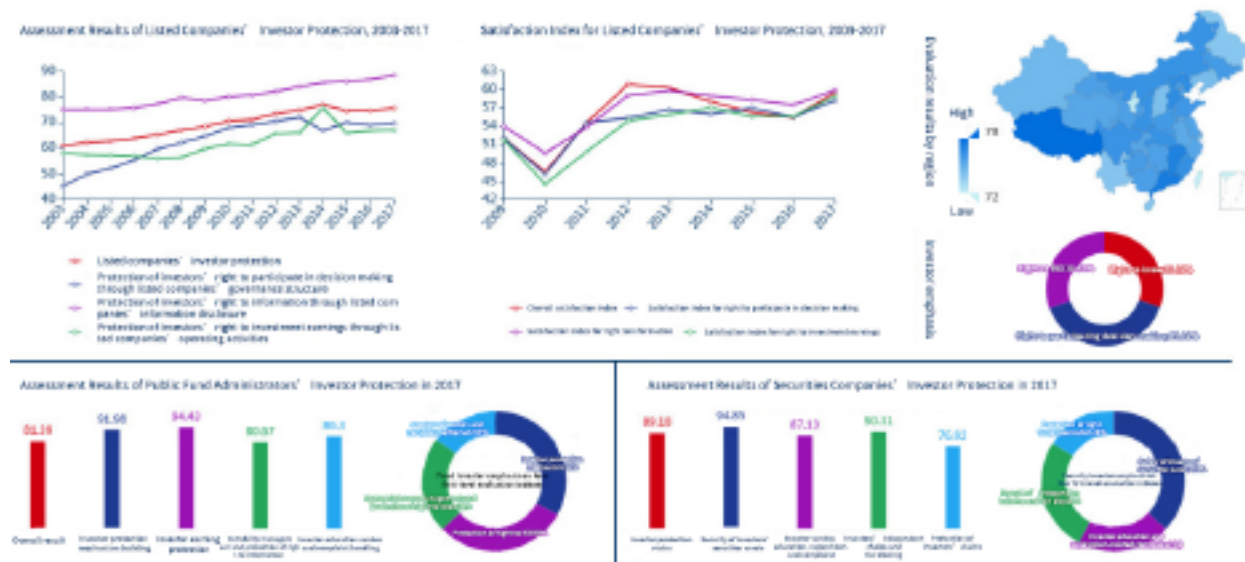


General office of the State Council, the General Office of the Central Leading Group for Financial and Economic Affairs, the Supreme People’s Court, CSRC departments and affiliates, national investor education bases and securities companies, playing a positive role in making the public understand and support capital market investor protection.

#### 2. Conducting stratified and classified precise assessment to promote listed company supervision and other core matters

In 2018, SIPF conducted stratified and classified precise assessment with respect to a number of issues around investor protection priorities and CSRC information submission on the basis of overall RegTech building and service. Specifically, the assessments with respect to cash dividend distribution by listed companies, investor protection by listed tech companies, information disclosure at the websites of listed companies, appropriateness of the websites of public fund administrators and phone calls to market participants played a positive role and received instructions and attention from CSRC leaders and relevant authorities. SIPF also actively carried

## Results of the 2017 Investor Protection Assessment



out the important study on the “corporate governance and moral hazards of listed companies” and strengthened the investor protection assessment system for listed companies.

## Application of relevant special assessment reports

Special assessment	Application
Cash dividend distribution by A-share listed companies in 2013-2017	Submitted to the General Office of the CPC Central Committee and the General office of the State Council in the form of CSRC express report, and in particular, from August 30 to December 27, published 4 news releases and 4 cartoons and H5 pages with respect to “SIPF Shows You Cash Dividend” via SIPF official website, Microblog and WeChat to effectively guide investors to have a correct understanding of cash dividend distribution by listed companies.
Investor protection by listed tech companies	Submitted to relevant departments under the State Council to offer recommendations on capital market support to innovative tech enterprises.
Capital market support to the development of innovative enterprises	Served as a reference for the CSRC's decision making.
Appropriateness of the websites of public fund administrators	Provided the results of assessment to relevant regulatory authorities, urged fund companies to make rectification and published a press release.
Phone call availability for securities and futures market participants in 2018	CSRC leaders instructed relevant departments to take measures to improve the availability, and urged relevant market participants to attach importance to this matter, and published it on the Investor Protection Study.

## 3. Making use of its advantages to participate in listed companies' RegTech building.

SIPF participated in the technical coordination team for listed company portrait and financial statement analysis and was actively involved in identifying requirements with respect to listed company assessment and risk monitoring system. Moreover, pursuant to the RegTech Building Plan for Listed Companies and led by CSRC Department of Listed Company Supervision, SIPF worked with the Shanghai Stock Exchange and the Shenzhen Stock Exchange to define specific requirements in respect of listed company assessment, risk monitoring system and risk map, etc.

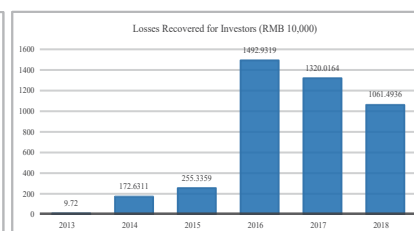
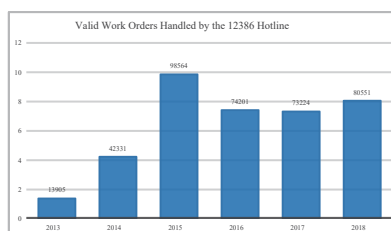
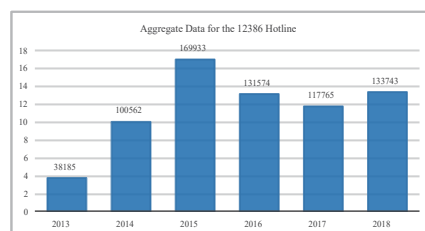
## IV. Responding to investors' opinions in an efficient and proper manner and working diligently as a "speaker" for investors

### 1. Continuing to enhance the service quality of the CSRC 12386 Hotline to timely resolve investors' concerns.

First, SIPF further increased the number of phone calls being received to timely deal with investors' concerns. It consistently strengthened the capability to deal with investors' concerns by optimizing the team of telephone operators, reinforcing workplace management and enhancing the efficiency of the Hotline. For the present, the Hotline maintains a success rate of over 90%. Throughout 2018, it received 80,551 valid investor complaints, recovered about RMB 10.61 million for investors, received 103 letters of thanks from investors. Second, SIPF further extended the pilot of direct transfer of complaints via the Hotline to market operation entities. In 2018, the pilot was extended to 89 head offices in Beijing and more than 1,800 branches in Beijing and elsewhere to substantially improve the efficiency of complaint handling and contribute to efficient and rapid conflict resolution. Third, SIPF launched the pilot of direct transfer of complaints to mediation institutions. In 2018, the 12386 Hotline transferred a total of 104 cases to mediation institutions and further broadened the Hotline's service channels.



(visited the Hotline's workplace)



### 2. Relying on the investor survey system to serve precise supervision and protection.

First, SIPF organized for the first time the survey of the status of stock market investors in China. It received 172,000 valid questionnaires from investors, collected registration and transaction data of 142 million individual and institutional investors, conducted a multi-dimensional analysis by a combination of subjectivity and objectivity, overall performance and personal differences, and investment behaviors and mentality characteristics, and compiled the Survey of the Status of Stock Market Investors in China to give a precise portrait of Chinese stock investors for the first time and to offer well-targeted recommendations on precise investor protection.

Charts of the survey of stock market investors in China

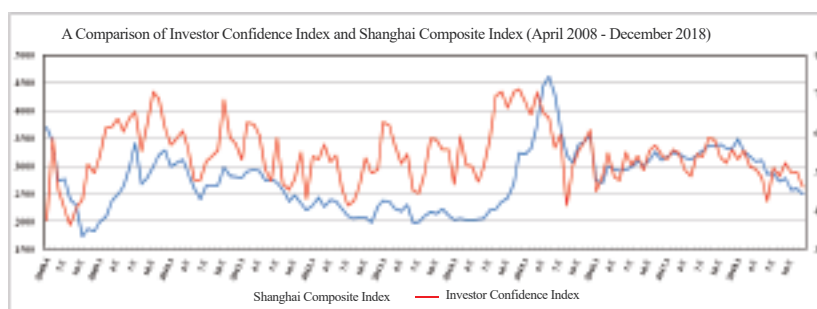




Second, SIPF established a nationwide fixed sample database and improved the securities market survey system. It chose and recruited 10,160 individual investors and 1,100 institutional investors to form a fixed sample database, selected 602 business offices from 72 securities companies to form a sample database of business office managers and broadened the channels of the survey of market professionals, and as a result, in 2018, the survey covered up to 150,000 person-times.

Third, SIPF conducted the investor confidence survey to facilitate financial risk prevention and resolution. Particularly, the confidence index for March was adopted by the General office of the CPC Central Committee, and the confidence index for June and October was adopted by the General office of the CPC Central Committee, the General office of the State Council and the General Office of the Central Leading Group for Financial and Economic Affairs, providing first-hand information to regulators and enabling them to get informed of investor confidence changes and to monitor securities market risks. The investor confidence index was also included into the Work Plan for Integrating Resources to Improve the Quality of Economic and Financial Operation Analysis, and was incorporated as a characteristic market index by CSRC Department of Market Supervision into its quarterly macroeconomic analysis reports and reported to the State Council on a quarterly basis, representing new breakthroughs in facilitating regulatory decision making and preventing and resolving major risks.

The System for the Survey of Securities Market Participants in China



Fourth, investor survey was conducted on problem-oriented basis to truthfully reflect investors' opinions and concerns. Throughout 2018, SIPF examined and prepared special reports over 200 issues of high concern that are frequently reported by the 12386 Hotline and closely related to investors' rights and interests and submitted them to the CSRC to effectively build a bridge between regulators and investors. Meanwhile, SIPF conducted special surveys in respect of capital market support to the development of innovative enterprises, reform of the New Third Board, investors' satisfaction with regulation and securities market and securities fund investors' behavioral structure to facilitate CSRC Department of Fund and Intermediary and share transfer companies and so on to improve relevant system building and to facilitate and support capital market reform. Moreover, in light of the volatility of the Shanghai Composite Index in 2018, SIPF made 33 rounds of information collection from individual and institutional investors to provide regulators with first-hand reference information and enable them to effectively lead market expectation.

### 3. Striving to make use of various resources to conduct investor education.

First, SIPF worked with CSRC Administrative Penalty Committee to produce long pictures for cases of typical penalty, and in 2018, made 19 releases through the Xinhua News Agency, the People's Daily, www.cnbond.com, ONEGOAL TECH, Microblog of four major securities newspapers and SIPF's official website, Microblog and WeChat, receiving 16 million clicks and making these cases of administrative penalty play an important role in educating and warning investors. Second, SIPF worked actively to convert the results of assessment and the cases handled by the 12386 Hotlines into amusing investor education videos, and produced and released 16 investor education videos via renowned media.



## V. Effectively promoting the protection fund raising, administration and using system pursuant to the principle “from market and for market” to lay a solid foundation for investor protection



(Exchange and communication with state-owned commercial banks, etc.)

First, SIPF duly managed protection fund raising to ensure to receive what should be received. It properly raised and managed the protection fund pursuant to the principle “from market and for market”. In 2018, SIPF raised RMB 4,734 million from market. Second, it started to “expand earnings and reduce costs” for the purpose of elaborate management and consistently improved its asset management. In 2018, its net profit was up to RMB 5,200 million, and remained almost the same with the preceding year in the context of downward market trending. Third, SIPF duly and carefully handled the everyday management of its participating companies and subsidiaries, and examined and voted on 94 resolutions at 29 meetings. Fourth, it strengthened interconnection and

established a fair mechanism for communication and coordination with paying entities. SIPF successively visited 6 securities companies in Beijing, Shanghai and Shenzhen so as to earnestly listen to their opinions and suggestions, patiently explain protection fund raising policies, actively promote the resolution of the problems thus found, establish a mechanism for regular communication with paying entities and ensure smooth protection fund raising. Fifth, SIPF strengthened cooperation and held discussions with state-owned commercial banks, etc. It conducted extensive exchange with respect to day-to-day bank account management, funds custody, prevention of financial risks and other relevant areas, established a fair connection

and strategic cooperation partnership with major banks and agreed upon further reinforcing the degree of cooperation and working together to bear social responsibility, for example, the prevention and resolution of systematic financial risks.

## **VI. Vigorously pushing forward RegTech building to make for enabling regulation and investor protection**

### **1. Promoting big data programs and enabling the big data platform to play a leading role.**

SIPF attaches great importance to big data analysis and application and considers the building of big data platform as a key part of its RegTech building. SIPF has set up a working group to promote big data platform building in respect of data governance, system building and data analysis, etc., to facilitate technology and intelligence-based risk monitoring and investor protection and to provide better support, service and assistance to regulatory authorities.

### **2. Continuing to optimize the investor loss calculation and compensation system to give full support to judicial adjudication and litigation-mediation coordination.**

Upon request by competent courts, SIPF has consistently collected and gathered various algorithmic logics adopted in the cases of misrepresentation by listed companies, and gradually developed the investor loss calculation and compensation system to further enrich the algorithms library and enable loss calculation support under various scenarios. In 2018, through the investor loss calculation and compensation system, SIPF precisely calculated investor losses for several courts, involving more than 300 investors, and facilitated dispute mediation and judicial adjudication for about 130 investors. Via technology and intelligence-based means, compensation can be made available for investors as early as possible and investors will have a higher sense of attainment. The investor loss calculation and compensation system received due attention and recognition from leaders of the SPS Civil Adjudication Tribunal No.2, who led a team to visit SIPF and find out about the system. They thought that the system is an important “accelerator” and can fairly resolve the difficulties encountered by judicial authorities in the adjudication of such cases.



(Supreme People's Court visited SIPF)

### **3. Promoting the building of investor protection assessment system for listed companies to further improve the ability to monitor and warn against risks of listed companies.**

SIPF organized and built investor protection assessment system for listed companies to enable import of various assessment data and documents, structured storage, inquiry, calculation and statistical analysis, management of various algorithmic models and creation of assessment index tree, and built a data processing and testing platform for stratified, classified, precisely targeted assessment and ex ante and in-process assessment to make for more intelligent assessment and analysis and to improve listed companies' capability of risk monitoring and warning.



#### 4. Further making use of its superior experience and data resource to promote RegTech co-building and sharing.



(Regtech building investigation and discussion)

SIPF invited CSRC Information Center to make a visit and attend the symposium on intelligent RegTech, strengthened the cooperation on RegTech building with CSRC Information center, set up a working group for RegTech building headed by main leaders of both parties, established a long-term cooperation and exchange mechanism and cooperated with each other in respect of top-level information design, securities company risk monitoring and analysis, investor structure and behavior analysis, civil compensation calculation and analysis for investors and other key areas. Meanwhile, SIPF actively carried out the building of RegTech 3.0 as assigned by the CSRC, and participated in several working groups, such as institutional building and big data platform planning, etc.

#### 5. Attaching great importance to intellectual property to effectively protect information technology achievements.

In order to comply with strategic requirements on building China as a great power of intellectual property, in 2018, SIPF formulated a comprehensive IP strategy and continued to apply for copyright and patent for its information system software. Its investor compensation system and monitoring system have received 8 software copyrights and applied for 3 invention patents and 1 patent of utility model, and SIPF was awarded the title “National Copyright Demonstration Unit”.

#### 6. Further strengthening IT talent recruitment, training and exchange to consistently enhance the IT support capability.

SIPF inaugurated the “ABCD” information technology forum, invited relevant experts to provide IT training and consistently strengthened staff members’ RegTech awareness. It actively visited and exchanged with CSRC units, internet companies and market participants to learn and introduce advanced technology and experience. It retained a chief engineer from a national information center to act as deputy GM for its IT subsidiary and effectively reinforced the team of IT talents.



(Regtech symposium under the “ABCD” Forum)

## VII. Analytical Reports, etc.



Series of publications on investor protection



Collected fund security issues and warning cases



Daily Highlights



Fund security analysis reports



Securities company risk monitoring analysis reports



Investor protection studies



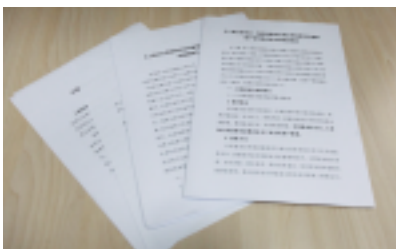
12386 Hotline reports



Reports on investors' concerns



Reports on the survey of stock market investors in China



Relevant research reports



Confidence index reports



Regulatory cooperation MoUs



## STATISTICAL FORMS

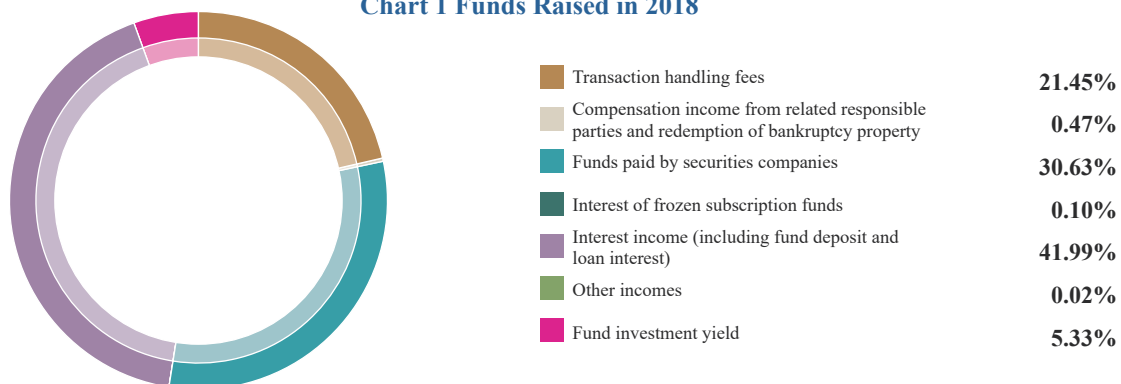
# STATISTICAL SUMMARY

## [Protection Fund Raising and Using]

In 2018, RMB 9,072.4 million was raised, including RMB 1,946.2 million from transaction handling fees, accounting for 21.45%; RMB 2,778.7 million from funds paid by securities companies, accounting for 30.63%; RMB 9.0 million from the interest of frozen subscription funds, accounting for 0.10%; RMB 3,809.8 million of interest income (including fund deposit and loan interest), accounting for 41.99%; RMB 483.5 million from fund investment yield, accounting for 5.33%; RMB 43.0 million from compensation income from related responsible parties and redemption of bankruptcy property, accounting for 0.47%; and RMB 2.2 million from other incomes, accounting for 0.02%.

In 2018, SIPF cumulatively spent RMB 2,198.3 million, with RMB 7.7 million for risk disposal, RMB 25.9 million for risk monitoring and RMB 2,164.7 million for other expenses.

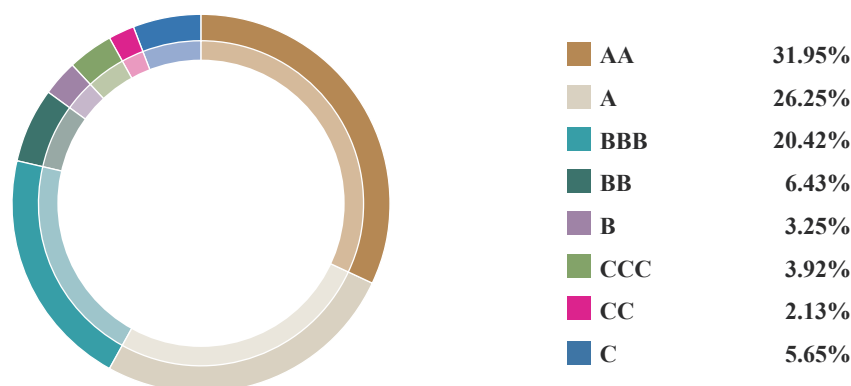
**Chart 1 Funds Raised in 2018**



## [Securities Company Classification and Fund Payment]

In 2018, securities companies had paid RMB 2,778.7 million to SIPF in accordance with percentages set by the CSRC, including RMB 887.7 million from securities companies of category AA, RMB 729.5 million from securities companies of category A, RMB 567.4 million from securities companies of category BBB, RMB 178.6 million from securities companies of category BB, RMB 90.4 million from securities companies of category B, RMB 109.0 million from securities companies of category CCC, RMB 59.2 million from securities companies of category CC, and RMB 156.9 million from securities companies of category C.

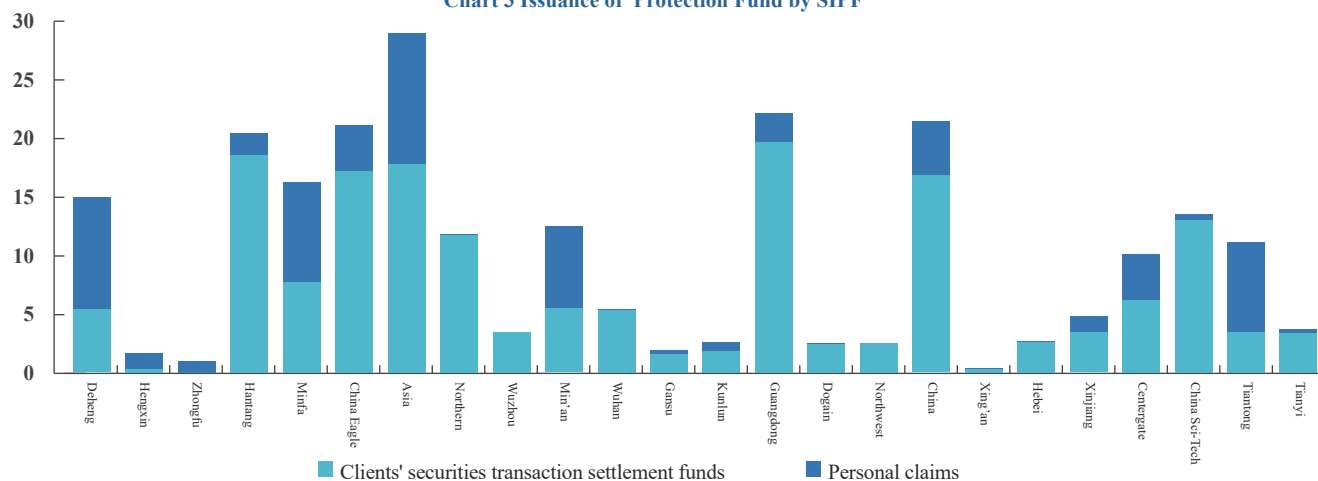
**Chart 2 Securities Company Classification and Fund Payment**



### [Issuance of Protection Fund by SIPF]

By the end of December 2018, SIPF had issued a total of RMB 22,528.1 million of protection fund to 24 disposed securities companies, including RMB 16,272.7 million to fill the gap of clients' securities transaction settlement funds, accounting for 72.23%, and RMB 6,255.5 million to acquire personal claims, accounting for 27.77%.

Chart 3 Issuance of Protection Fund by SIPF



### [Basic Information of Risk Disposition of Securities Companies]

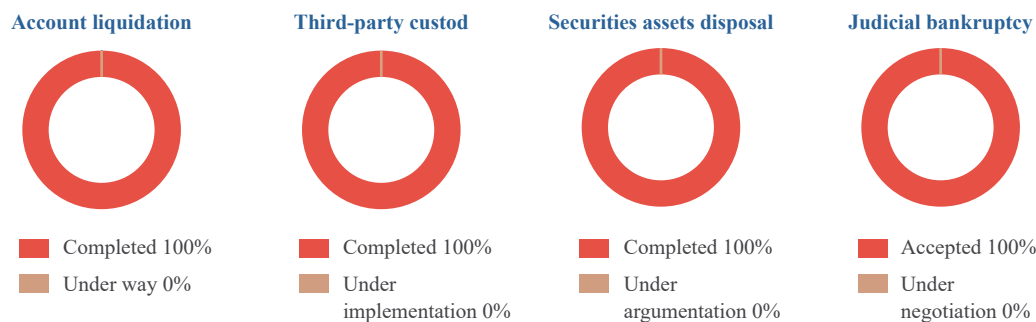
Account liquidation: by the end of December 2018, account liquidation had been finished for 24 disposed securities companies, accounting for 100% (24 companies, the same as below).

Third-party custody: by the end of December 2018, third-party custody was completed for 24 disposed securities companies, accounting for 100%, and 624 sales offices of entire disposed securities companies were 100% accessible online.

Securities assets disposal: by the end of December 2018, the transfer of securities assets had been finished for 24 disposed securities companies.

Judicial bankruptcy: by the end of December 2018, the bankruptcy cases of 24 disposed securities companies (accounting for 100%) had been accepted by competent courts.

Chart 4 Progress of Risk Disposition of Securities Companies



### [Payment of SIPF Claims]

By the end of December 2018, 24 securities companies had entered into bankruptcy proceedings. SIPF had received RMB 4,290.7 million in cash (including RMB 6.1 million managed on behalf of the MOF), stocks of 11 companies and 1 fund as well as 2 stocks managed on behalf of the MOF.



Unit: RMB100 million

Item	Line	2018	2017	Item	Line	2018	2017
I. Re-lending from the People's Bank of China				3. Fund using in 2018	18	21.983	22.042
1. Balance of re-lending deposit at the beginning of 2018	1	-	-	(1) Risk disposal expenses	19	0.077	0.005
2. Re-lending obtained throughout 2018	2	-	-	(2) Risk monitoring expenses	20	0.259	0.261
3. Net interest income from re-lending deposit	3	-	-	(3) Entrusted fund management fee	21		0.182
4. Re-lending utilized in 2018 (minus: the amount returned)	4	-	-	(4) Management fee of fund management institutions	22		
5. Balance of re-lending at the end of 2018 (5=1+2+3-4)	5	-	-	(5) Fund transaction fee	23		
				(6) Fund investments	24		
II. Funds raised by SIPF				(7) Interest payment for PBC re-lending	25		
				(8) Principal payment for PBC re-lending	26		
1. Balance of fund deposit at the beginning of 2018	6	618.993	521.115	(9) Other expenses	27	21.647	21.593
2. Funds raised in 2018	7	90.724	119.920	4. Fund balance at the end of 2018 (28=6+7-18)	28	687.734	618.993
(1) Transaction handling fees	8	19.462	22.139	III. SIPF bond issuance			
(2) Funds paid by securities companies	9	27.787	33.600	1. Balance of deposit of bond issuance at the beginning of 2018	29		
(3) Interest of frozen subscription funds	10	0.090	0.871	2. Revenue from bond issuance	30		
(4) Acceptance of donation	11			3. Funds used for bond issuance in 2018	31		
(5) Interest income (including fund deposit and loan interest)	12	38.098	14.249	4. Balance of deposit of bond issuance at the end of 2018 (32=29+30-31)	32		
(6) Fund investment yield	13	4.835	3.830	IV. Total fund raising and using			
(7) Compensation income from related responsible parties and redemption of bankruptcy property	14	0.430	0.219	1. Balance at the beginning of 2018 (33=1+6+29)	33	618.993	521.115
(8) Net income from disposition of compensation assets	15			2. Funds raised in 2018 (34=2+3+7+30)	34	90.724	119.920
(9) Returned risk settlement fund advances	16			3. Funds used in 2018 (35=4+18+31)	35	21.983	22.042
(10) Other incomes	17	0.022	45.011	4. Balance at the end of 2018 (36=33+34-35)	36	687.734	618.993

Note: Balance of fund herein is limited to bank deposit, and "Other incomes" mainly include held-for-trading financial assets.

**Business Report** | Table 2 Classification and Fund Payment of Securities Company

Unit: RMB100 million

Classification result		Number of securities companies	Proportion of payment (%)	Accumulative amount paid in 2018	
A	AAA				
	AA	27	0.75%	8.877	31.95%
	A	37	1.00%	7.295	26.25%
B	BBB	35	1.50%	5.674	20.42%
	BB	18	1.75%	1.786	6.43%
	B	5	2.00%	0.904	3.25%
C	CCC	3	2.50%	1.090	3.92%
	CC	2	2.75%	0.592	2.13%
	C	3	3.00%	1.569	5.65%
D	D	1	3.50%		0.00%
Total		131		27.787	

Notes: 1. Securities companies that have not received the result of classification are not included.

2. Classification results refer to those that have been officially confirmed by the CSRC.

3. Proportion of payment refers to the proportion that was approved by the CSRC for securities company to pay the funds to SIPF based on its operation income.

Table 3 Issuance of Protection Fund by SIPF

S/N		Company disposed	Issuance of the Protection Fund by PBC re-lending		Issuance of the Protection Fund by the funds raised from the market	
			Clients' securities transaction settlement	Personal claims	Clients' securities transaction settlement funds	Personal claims
1		Deheng Securities	5.075	7.319		1.732
2		Hengxin Securities	0.278	0.979	0.033	0.260
3		Zhongfu Securities		0.825		0.106
4		Hantang Securities	17.520	1.349		0.389
5		Minfa Securities	7.008	8.021	0.298	0.0002
6		China Eagle Securities	15.983	2.727	0.275	0.916
7		Asia Securities	17.500	10.088	1.329	0.242
8		Northern Securities	11.070	0.0004		0.068
9		Wuzhou Securities	3.068		0.179	
10		Min'an Securities	4.950	6.603	0.207	0.087
11		Wuhan Securities	4.908	0.045	0.106	
12		Gansu Securities	1.518	0.234	0.004	0.022
13		Kunlun Securities	1.749	0.688		
14		Guangdong Securities	17.897	2.289	0.671	0.010
15		Dogain Securities	2.290	0.009	0.029	0.010
16		Northwest Securities	2.344			
17		China Securities	14.428	3.774	1.453	0.630
18		Xing'An Securities	0.292	0.013	0.009	
19		Hebei Securities	2.433	0.050	0.048	
20		Xinjiang Securities	2.929	1.295	0.288	
21		Centergate Securities	5.250	3.746	0.570	
22		China Sci-Tech Securities	11.848	0.459	0.441	0.019
23		Tiantong Securities	2.714	7.209	0.550	0.037
24		Tianyi Securities	3.185	0.304		0.0002
		TOTAL	156.237	58.027	6.489	4.528

Note: SIPF has utilized funds raised from the market to acquire personal claims of companies disposed and fill the gap of clients' securities transaction settlement funds since 3-July-2008.



## Business Report

Table 4 Basic Information of Risk Disposition of Securities Companies

S/N	Company disposed	Date	Led by	Number of business offices	Trustee company	Administrative liquidation institution (Liquidation group)	Special Auditor	Account liquidation	Third-party custody		Securities assets disposal		Judicial bankruptcy			Remarks
									Status	Number online	Status	Transferee	Status	Competent court	Date Announcement	
1	Doheng Securities	3-Sep-04	Shanghai Commissioner Office	14	Huarong Company	Huarong Company	CACPA	Completed	Completed	14	Transferred	Huarong Securities	Accepted	Shanghai No.1 Intermediate People's Court	9-Nov-07	
2	Hengxin Securities	3-Sep-04	CSRC Hunan Branch	7	Huarong Company	Huarong Company	CACPA	Completed	Completed	7	Transferred	Huarong Securities	Accepted	Changsha Intermediate People's Court	21-Aug-07	
3	Zhongfu Securities	3-Sep-04	Shanghai Commissioner Office	13	Shanghai Securities	Gaopeng & Partners	Nanfeng Minhe Accounting Firm	Completed	Completed	13	Transferred	Shanghai Securities	Accepted	Shanghai No.2 Intermediate People's Court	17-Sep-07	Capital Airport withdraws from reorganization
4	Hantang Securities	3-Sep-04	CSRC Shenzhen Branch	22	CINDA	CINDA	Xiamen Tianjian Accounting Firm	Completed	Completed	22	Transferred	CINDA Securities	Accepted	Shenzhen Intermediate People's Court	7-Sep-07	
5	Minfa Securities	16-Oct-04	CSRC Fujian Branch	29	Orient Company	Orient Company	Xiamen Tianjian Accounting Firm	Completed	Completed	29	Transferred	Dongxing Securities	Accepted	Fuzhou Intermediate People's Court	18-Jul-08	
6	China Eagle Securities	14-Jan-05	Shenzhen Commissioner office	31	Changjiang Securities	China Audit Asia Pacific CPA Co., LLP	CACPA	Completed	Completed	31	Transferred	Changjiang Securities	Accepted	Shenzhen Intermediate People's Court	24-Jan-06	
7	Asia Securities	29-Apr-05	Shanghai Commissioner Office	48	Huatai Securities	Beijing JinCheng TongDa & Neal Law Firm	CACPA	Completed	Completed	48	Transferred	Huatai Securities	Accepted	Shanghai No.2 Intermediate People's Court	31-May-07	
8	Northern Securities	27-May-05	CSRC Shanghai Branch	20	Orient Securities	Shanghai Lixin Changjiang Certified Public Accountants	CACPA	Completed	Completed	20	Transferred	Orient Securities	Accepted	Shanghai No.2 Intermediate People's Court	12-Mar-07	
9	Wuzhou Securities	10-Jun-05	CSRC Henan Branch	7	Donghai Securities	Beijing Zhongxingyu CPA	Beijing Zhongxingyu CPA	Completed	Completed	7	Transferred	Donghai Securities	Accepted	Luoyang Intermediate People's Court	4-Sep-06	
10	Min'an Securities	10-Jun-05	CSRC Guangdong Branch	17	Guosen Securities	Beijing King & Wood Mallesons	Beijing Zhongxingyu CPA	Completed	Completed	17	Transferred	Guosen Securities	Accepted	Guangzhou Intermediate People's Court	30-Nov-07	
11	Wuhan Securities	5-Aug-05	CSRC Hubei Branch	25	Guangfa Securities	Beijing Forever Law Firm	Wuhan Zhonghuan CPA	Completed	Completed	25	Transferred	Guangfa Securities	Accepted	Wuhan Intermediate People's Court	11-Jan-08	
12	Gansu Securities	26-Aug-05	CSRC Gansu Branch	9	Haitong Securities	Beijing Laused & Tian Law Firm	Deloitte Touche Tohmatsu CPA Ltd.	Completed	Completed	9	Transferred	Haitong Securities	Accepted	Lanzhou Intermediate People's Court	7-Dec-07	
13	Kunlun Securities	21-Oct-05	CSRC Qinghai Branch	5	Everbright Securities	Guantao Law Firm	Shenzhen Dahua Tiancheng CPA	Completed	Completed	5	Transferred	Everbright Securities	Accepted	Xining Intermediate People's Court	11-Nov-06	
14	Guangdong Securities	4-Nov-05	Shenzhen Commissioner office	58	Essence Securities	China Audit Asia Pacific CPA Co., LLP	CACPA	Completed	Completed	58	Transferred	Essence Securities	Accepted	Guangzhou Intermediate People's Court	2-Jan-08	
15	Dogain Securities	25-Nov-05	CSRC Beijing Branch	13	Guoyuan Securities	Lantai Partners	Beijing Xinghua CPA	Completed	Completed	13	Transferred	Guoyuan Securities	Accepted	Beijing No.1 Intermediate People's Court	15-Sep-07	
16	Northwest Securities	9-Dec-05	CSRC Ningxia Branch	20	Nanjing Securities	JunZeJun Law Office	Xiamen Tianjian Accounting Firm	Completed	Completed	20	Transferred	Nanjing Securities	Accepted	Yinchuan Intermediate People's Court	11-Jan-07	
17	China Securities	16-Dec-05	Beijing Municipal Government	87	N/A	CINDA	CACPA	Completed	Completed	87	Transferred	CITIC Securities	Accepted	Beijing No.2 Intermediate People's Court	31-Jul-08	
18	Xing'an Securities	30-Dec-05	Shanghai Commissioner Office	23	Haitong Securities	Beijing Dacheng Law Firm	Xiamen Tianjian Accounting Firm	Completed	Completed	23	Transferred	Haitong Securities	Accepted	Harbin Intermediate People's Court	18-Oct-07	
19	Hebei Securities	13-Jan-06	CSRC Hebei Branch	38	Guangfa Securities	Boss & Young Law Firm	Zhongtian Huazheng CPA Co., Ltd.	Completed	Completed	38	Transferred	Guangfa Securities, Caida Securities	Accepted	Shijiazhuang Intermediate People's Court	24-Jul-07	
20	Xinjiang Securities	17-Feb-06	CSRC Xinjiang Branch	24	Hongyuan Securities	Huazheng CPA Co., Ltd.	Huazheng CPA Co., Ltd.	Completed	Completed	24	Transferred	Hongyuan Securities	Accepted	Urumchi Intermediate People's Court	26-Feb-08	

# Business Report

Table 4 Basic Information of Risk Disposition of Securities Companies

S/N	Company disposed	Date	Led by	Number of business offices	Trustee company	Administrative liquidation (Liquidation Team)	Special Auditor	Account liquidation	Third-party custody		Securities asset disposal		Judicial bankruptcy			Remarks
									Status	Number of company	Status	Transferee	Status	Competent court	Date Announcement	
21	Centergate Securities	24-Feb-06	Shenzhen Commissioner office	14	Essence Securities	Beijing JinCheng TongDa & Neal Law Firm	Beijing Xinghua CPA	Completed	Completed	14	Transferred	Essence Securities	Accepted	Beijing No.1 Intermediate People's Court	7-Sep-07	
22	China Sci-Tech Securities	24-Feb-06	Shenzhen Commissioner office	23	Essence Securities	Beijing Zhongxingyu CPA	Beijing Zhongxingyu CPA	Completed	Completed	23	Transferred	Essence Securities	Accepted	Beijing No.2 Intermediate People's Court	7-Sep-07	
23	Tiantong Securities	17-Mar-06	CSRC Shandong Branch	57	Qilu Securities	Shandong Provincial Government	Beijing Jingdu CPA Co., Ltd.	Completed	Completed	57	Transferred	Qilu Securities	Accepted	Jinan Intermediate People's Court	15-Jan-08	
24	Tianyi Securities	7-Jul-06	CSRC Ningbo Branch	20	Everbright Securities	Beijing Zhongwen Law Firm	Shanghai Lixin Changjiang CPA Co., Ltd.	Completed	Completed	20	Transferred	Everbright Securities	Accepted	Ningbo Intermediate People's Court	30-Sep-07	
Others	China Southern Securities	2-Jan-04	CSRC, Shenzhen Municipal Government	74	Administrative Takeover Group	Shenzhen Municipal Government	Deloitte Touche Tohmatsu CPA Ltd.	Completed	Completed	74	Transferred	China Investment Securities	Accepted	Shenzhen Intermediate People's Court	16-Aug-06	
	Liaoning Securities	22-Oct-04	PBC	21	CINDA	N/A	-	Completed	Completed	21	Transferred	CINDA Securities	-	-	-	Compromise
	Capital-Bridge Securities	24-Mar-06	CSRC Shaanxi Branch	12	Western Securities	Beijing King & Wood Mallesons	-	Completed	Completed	12	Transferred	Western Securities	Accepted	Xian Intermediate People's Court	5-Apr-07	No insufficiency
	Daton Securities	30-Apr-06	CSRC Dept. of Fund and Intermediary Supervision	19	Bankruptcy & Reorganization Group	N/A	-	Completed	Completed	19	-	-	Accepted	Dalian Intermediate People's Court	30-Apr-06	Bankruptcy & reorganization
	First Securities	2-Jun-06	CSRC Guangdong Branch	16	Guangfa Securities	N/A	-	Completed	Completed	16	Transferred	Guangfa Securities	-	-	-	Converted into an industrial corporation
	Jutian Securities	13-Oct-06	Shenzhen Commissioner Office	16	Merchants Securities	Beijing Hanhua Law Firm	CACPA	Completed	Completed	16	Transferred	Merchants Securities	-	-	-	Compromise
	CIFCO Securities	24-Nov-06	CSRC, Jiangsu Provincial Government	9	Hengtai Securities	N/A	-	Completed	Completed	9	Transferred	Xintai Securities	-	-	-	Converted into an industrial corporation

Note: As for "Others", PBC re-lending will be directly provided to China Southern Securities and Liaoning Securities, with no cost to be borne by SIPF; no re-lending is provided for Capital-Bridge Securities, Daton Securities, First Securities, Jutian Securities and CIFCO Securities.

## Business Report

Table 5 Payment of SIPF Claims

S/N	Bankrupted Company	Claims Confirmed	Estimated payment		Claims already paid					Remarks
			Min	Max	Cash paid	Stocks paid			Actual repayment ratio	
						Name	Number	Value		
1	Deneng Securities	16.100	0.14%	0.57%						
2	Hengxin Securities	1.718	1.66%	3.53%	0.048					
3	Zhongfu Securities	1.045	29.92%	34.89%	0.307				29.42%	
4	Hantang Securities	20.091	43.10%	53.00%	0.166	Stock 1	18,609,302	1.727	50.16%	Confirmed amount of claims include the claims transferred from SIPF
						Stock 2	9,408,047	1.472		
						Stock 3	6,516,319	1.028		
						Stock 4	9,044,917	1.901		
						Stock 5	3,428,113	0.533		
5	Minfa Securities	14.922	63.01%	65.00%	3.584	Stock 1	14,008,381	3.506	67.01%	Confirmed amount of claims include the claims transferred from SIPF
						Stock 2	7,559,899	2.695		
6	China Eagle Securities	20.249	26.51%	30.00%	5.368				26.51%	
7	Asia Securities	30.797	12.00%	15.00%	2.446				8.00%	
8	Northern Securities	11.533	10.00%	15.00%						
9	Wuzhou Securities	3.120	3.71%	18.16%	0.125				4.24%	
10	Min'an Securities	12.895	12.61%	15.00%	1.833				14.21%	
11	Wuhan Securities	5.062	7.70%	18.00%	0.640				15.70%	Confirmed amount of claims include the claims transferred from SIPF
12	Gansu Securities	1.819	3.63%	5.59%	0.087				4.80%	
13	Kunlun Securities	2.406	2.32%	8.87%	0.204				8.48%	
14	Guangdong Securities	21.443	15.05%	20.00%	3.705				18.83%	Confirmed amount of claims include the claims transferred from SIPF
15	Dogain Securities	2.349	3.56%	3.56%	0.084				3.56%	
16	Northwest Securities	2.241	23.30%	35.00%	0.348	Stock 1	2,708,541	0.290	28.86%	
						Stock 2	285,549	0.021		
						Fund	1,186,459	0.014		
17	China Securities	21.217	20.00%	33.23%	4.456				21.00%	
18	Xing'an Securities	0.319	100.00%	100.00%	0.315				100.00%	
19	Hebei Securities	2.242	100.00%	100.00%	2.236				100.00%	
20	Xinjiang Securities	4.555	13.50%	23.00%	0.988				21.52%	
21	Centetgate Securities	9.972	15.55%	32.95%	3.091				31.00%	
22	China Sci-Tech Securities	12.998	15.08%	25.00%	3.209				24.69%	
23	Tiantong Securities	11.151	12.31%	21.79%	1.945				17.44%	
24	Tianyi Securities	3.511	10.00%	50.00%	1.554				44.28%	
Others	China Southern Securities	15.580	62.00%	75.00%	6.065	Stock 1	8,474,964	2.048	75.00%	Assets managed on behalf of the MOF
						Stock 2	32,625,414	3.572		
	0.166	0.064	Stock 1	90,406	0.022					
			Stock 2	348,032	0.038					
	Xinhua Securities	2.829	3.00%	8.00%	0.039				1.37%	
	TOTAL	252.330			42.907			18.867		

Notes: 1. Date of audit report refers to the signed date on the audit report.

2. The date for some audit reports refers to the date for the audit or the latest applications.

# GLOSSARY

**1. Content of Statistics:** Including disposal process of the disposed securities companies, the raising, management and use of the protection fund, securities companies classification and fund payment, issuance of the protection funds, SIPF claims, and etc.

**2. Scope of Statistics:** Among the 31 securities companies that have been disposed since 2004, 24 needed protection fund appropriation from SIPF to fill the funding gap for settlement of the securities transaction with their clients and for purchasing the personal claims from their clients. China Southern Securities and Liaoning Securities were appropriated with direct re-loan from the People's Bank of China, but no balance was assumed by SIPF. Capital-Bridge Securities, Daton Securities, First Securities, Jutian Securities and CIFCO Securities did not use the protection fund. Therefore, here the so-called "all disposed securities companies" refer to the 24 disposed securities companies related to SIPF, while China Southern Securities, Liaoning Securities, Daton Securities, Capital-Bridge Securities, First Securities, Jutian Securities and CIFCO Securities are excluded.

The disposal of China Southern Securities used RMB1.5 billion from the central government special funds. On December 25, 2003, there was RMB259.6 million used by the disposal of Xinhua Securities from stock market special compensation funds. The statistical data of related disposed securities companies excluded those 24 securities companies is included in the relevant form "Others" item for reference.

**3. Error:** The figure calculation was rounded off. Due to the rounded-off errors, the sum of the sub-item figures might not be

equal to the total.

**4. Monetary Unit:** Unless otherwise specified, the monetary unit shall all be the RMB100 million.

**5. Clients' Securities Transaction Settlement Funds:** The funds deposited by the clients of securities brokerage into the special account of securities transaction settlement funds so as to guarantee a full settlement, as well as all received funds on sales from portfolio (after deduction of brokerage fee commission and other justifiable expenditure), acquired dividends, cash dividends, bond interests and all acquired interests from the funds mentioned above.

**6. Personal Claim:** The claim against the financial institution generated when a client, in his own name, opens an account or carries out transactions of financial products with real funds invested under a legally established financial institution (here refers to a securities company, same as below). The personal claim does not include the one against the financial institution generated when an individually owned business individual proprietorship enterprise, individual partnership enterprise, or etc., opens an account or carries out transactions of financial products.

**7. Acquisition of Personal Claim by the Central Government:** According to the requirements of such policies as the Acquisition Opinions on Personal Claim and the Clients' Securities Transaction Settlement Funds, the funds used to acquire the clients' securities transaction settlement funds shall be the responsibility of the central government. The central government is responsible for 90% of the acquisition funds for the personal claim, and the rest 10% shall be raised respectively by the

provincial and municipal governments where the headquarters of financial institutions, branches, and the service outlets are located. However, the central government is responsible for the acquisition of all appropriated securities funds of the normal brokerage clients. The acquisition of personal claim by the central government hereto refers to the central government's responsibility in contribution of capital for purchasing personal claims, excluding those contributed by local governments.

**8. Re-lending:** The re-lending directly borrowed in the name of SIPF from the People's Bank of China as the advance payment for the initial capital source of the securities investors protection funds including the part of the relending issued by branches of the People's Bank of China that has been handed over to SIPF.

**9. Issuance of the Protection Funds:** The protection funds issued by SIPF directly to the custody and clearing institutions of the disposed securities companies including the part of the issued loans by the branches of the People's Bank of China that has been handed over to SIPF.

**10. Account Liquidation:** The basic aim of the account liquidation is to provide foundation for re-loan application, the third-party custody, asset liquidation, and investigation over the responsible persons. Its scope of liquidation includes: (1) all accounts opened (in the system) in the over-the-counter transaction system by the securities companies; (2) the accounts opened (outside the system) in the over-the-counter transaction system by the securities companies and their affiliated parties under the third party financial institution; (3) the specified account for the securities transaction settlement funds of clients and deposit reservation for balance account opened by the

securities companies in banks and clearing houses. The liquidation scope of the brokerage accounts mainly includes the fund accounts opened by the brokerage clients in the system, and that of non-brokerage accounts includes the fund accounts inside and outside the system.

**11. Third-party Custody:** It refers to the bank custody, which is based on a strict management separation of the clients' securities from the funds according to the principal of "Securities Company manages securities and Commercial Bank manages funds". It builds up a separation wall between the securities company and its clients. Thus the securities companies are responsible for the client's securities transaction, share management and calculation of the difference of purchases and sales by the clients according to the transaction settlement data of the securities registration company. While the commercial banks are responsible for the transferring of funds from clients' transaction settlement accounts, cash deposit and withdrawal and fund settlement among the securities companies and securities registration companies and clients. They also take such directions from the securities as to pay interest, to appropriate commissions, etc.

**12. Securities Assets Disposal:** The disposal of securities assets indicates physical assets required by investment banking of the securities companies or maintaining normal function of the securities brokerage for clients, which includes physical assets and necessary transaction seats of those departments in securities exchanges, brokerage, IT, liquidation center, machinery room, operation maintenance and other relevant ones. Those assets that are not directly concerned with investment banking of the

securities companies or maintaining normal function of the securities brokerage, such as real estates, automobiles, credit worthiness, deferred assets, self-trading securities, self-possessed funds and etc., are not involved in the disposal scope. The detailed scope shall be determined by the liquidation team.

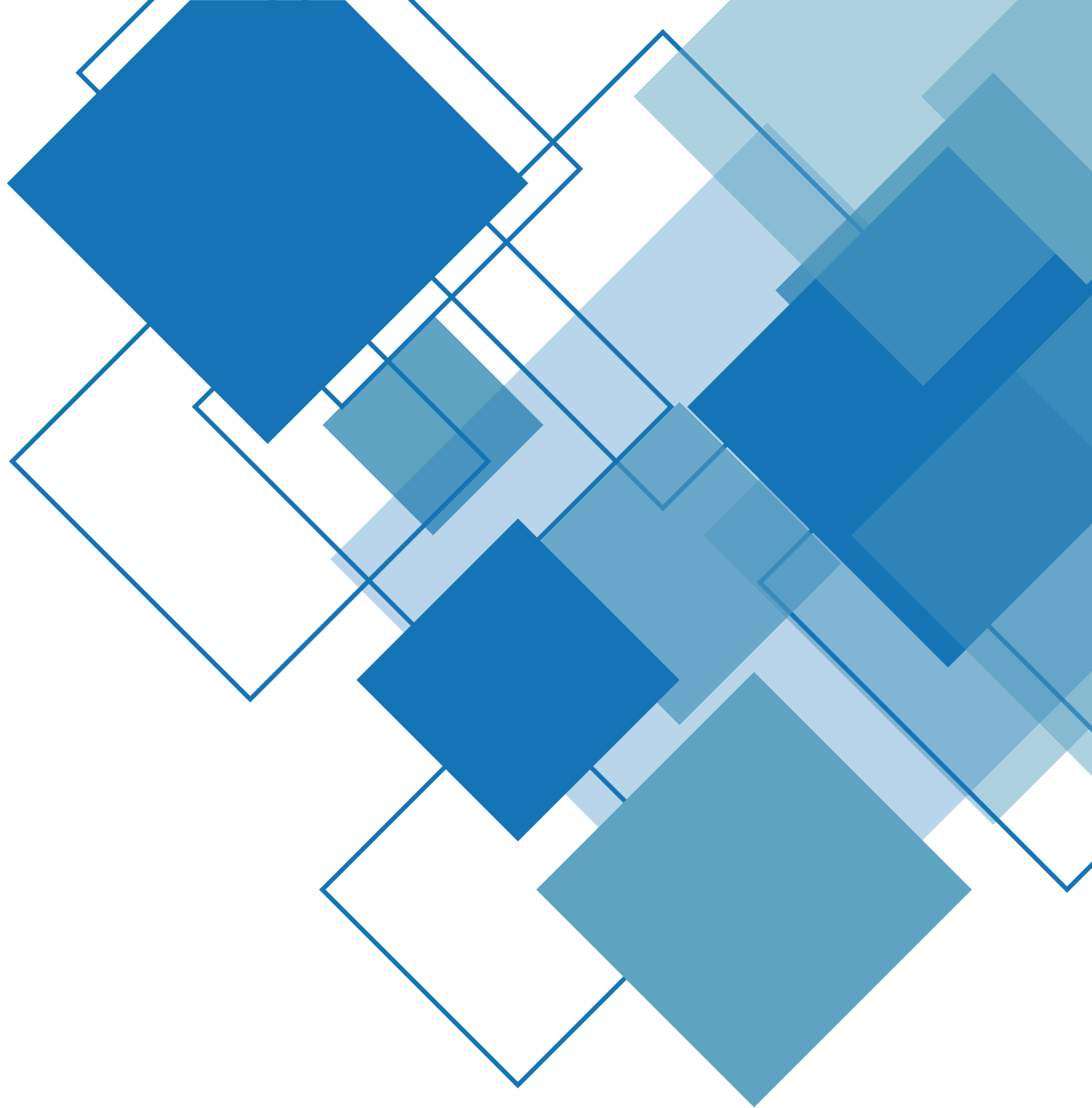
**13. Right to Indemnity of Claim:** The claim of SIPF against the disposed securities company, which is formed when a securities company is rescinded, closed, and goes to bankruptcy, or is under mandatory supervision measures such as administrative take-over or trusteeship management by CSRC, and after the protection funds are used to purchase the personal claims and fill the funding gap of the securities transaction settlement funds of

clients in accordance with the state's policies concerned.

The special funds of RMB1.5 billion used by China Southern Securities are paid to SIPF who has the right of subrogation. And special compensation funds of securities market of RMB259.6 million used by Xinhua Securities are also paid to SIPF, who has the right of subrogation.

**14. Accepted Indemnity of Claim:** The behavior of legal bankruptcy liquidation upon a disposed securities company and property distribution of SIPF with the acquisition of the right to indemnity of claim against the disposed securities company.

**15. Deadline of Statistics:** December 31, 2018.



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