



# 2019

CHINA SECURITIES INVESTOR PROTECTION FUND  
CORPORATION LIMITED  
ANNUAL REPORT 2019



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## MESSAGE FROM GENERAL MANAGER

In the past year, we focused on serving the overall situation and forged ahead. We firmly seized the rare historical opportunity of the CSRC to comprehensively deepen the capital market reform, took the initiative to undertake and act with a high sense of responsibility, and made remarkable achievements in helping resolve financial risks, strengthening investor protection, boosting innovation in law enforcement, implementing convenience measures, supporting the establishment of Sci-Tech Innovation Board and the launch of the pilot program on the registration system, and improving the quality of listed companies.

To resolve the potential risks in the securities industry, we took precautions and made a good “first move”. We actively explored and expanded the use of investor protection fund, steadily advanced the securities company liquidity assistance, and cooperated to formulate relevant rules and implementation rules to help resolve systemic financial risks in the securities industry. Meanwhile, we kept abreast with the changes in the market situation and promptly lowered the proportion of the investment protection fund paid by securities companies to effectively ease their operating burden. To protect the legitimate rights and interests of investors, we went all out to be a competent “rights defender” for investors. We actively boosted innovation in law enforcement, achieved “zero breakthrough” in many fields, completed the first administrative settlement fund management, and helped the first successful application of the whistleblower program in the field of securities in China. We pushed forward connection of litigation and mediation on securities and futures, and completed mediation of over 700 cases in 2019, with an amount of nearly RMB 100 million. We continued to maintain the channels for investors to protect their rights, improved the 12386 hotline service quality, and recovered accumulative losses of RMB 131 million for investors, with a new high in investor satisfaction reaching more than 85%. And we extended the pilot of direct transfer of complaints via 12386 hotline to over 330 head offices and their 8,000+ branches, reduced complaint handling time from an average of 2-3 months to 16 working days, significantly improving the efficiency of handling investor complaints, and effectively maintaining the stable operation of the capital market. To set up the Sci-Tech Innovation Board and launch the pilot program on the registration system, we made detailed arrangements to be a good “pioneer”. We realized the “synchronous monitoring of fund security on the launch of the Sci-Tech Innovation Board”,

regularly analyzed the status of funds on the launch and during the operation of the Board, established the “Fixed Sample Database of Sci-Tech Innovation Board Investors in China”, timely conducted surveys on investors, quickly responded to investor opinions and complaints, and creatively carried out investor education, playing a positive role in ensuring the successful launch of the Board. To improve the quality of listed companies, we took active actions to be a responsible “mouthpiece”. We actively explored the key risk points of listed companies, conducted targeted analysis, analyzed investor protection of regional listed companies for the first time, prompted potential risks in time, and effectively improved the quality of listed companies.

In the past year, we also made remarkable achievements in reform and innovation. We tightly clung to the main line of full and strict governance over the Party to promote full and strict governance over SIPF and its business development, laying a solid “foundation” for risk prevention and investor protection. We focused on “key point”, continued to improve the risk pre-warning function of the monitoring and supervision system, built the most influential risk monitoring platform for securities companies in the capital market, monitored risks in key areas and business, firmly safeguarded the “wallet” of investors, and made remarkable achievements in risk prevention. We identified “entry points”, steadily promoted the multilevel compensation system consisting of investor protection fund, administrative settlement fund and dispute mediation, built China's most influential mediation center for securities and futures disputes, wholeheartedly safeguarded the legitimate rights and interests of investors, and significantly improved their sense of gain. We defined “stand points”, spared no effort to promote the construction of investor survey and assessment system, built a high-quality survey and assessment brand with the most capital market characteristics, prepared and published the Whitepaper on Investor Protection in Chinese Capital Market, played a positive role in building a sound multi-agent investor protection ecology for various participants, and significantly improved the investor participation. We grasped “force points”, promoted the construction of a response system to investor opinions and complaints in an all-round way, built an influential 12386 hotline data analysis platform, implemented convenience measures through various ways, and continued to increase investor satisfaction. We identified “starting points”, promoted the construction of the investor protection fund raising and management system at

multiple levels, laid a solid “foundation” for risk prevention and investor protection, further exerted the investor protection fund, and played a positive role in helping build a dynamic and resilient capital market. We concentrated on the “support points”, continued to strengthen organizational building, conscientiously fulfilled corporate social responsibility, and focused on corporate culture building to create a learning, innovative and pragmatic enterprise with faith, responsibility and love corporate. A specialized investor protection institution with enterprising spirit, responsibility, action and dedication are constantly forming a new appearance in the market and for the investors.

Above achievements are indispensable from leading role and example setting by the management and concerted and sincere cooperation from all cadres and staff members. In 2020, we will spare no effort to promote all aspects of investor protection to a new level with a sense of historical responsibility and mission of seizing the day and living it to the full.



General Manager

Vice Chairman

Deputy Secretary of Party Committee of SIPF

# CORPORATE PROFILE



## Board of Directors and the Management

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

## INTRODUCTION

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, Department for Fund Monitoring and Supervision Coordination, Legal Affairs Department, Assets Management Department, Survey, Assessment & Research Department, Investor Education & Service Department, Statistical Analysis Department, 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, Investment Decision Committee, and Payment Management Committee; SIPF has a subsidiary named Beijing SIPF Information Technology Co., Ltd.

By the end of 2019, SIPF had a total of 97 officers, all with a bachelor degree or above, and those with a master degree or above accounted for 76.30%. 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, and those at or below 35 accounted for 62.90%.

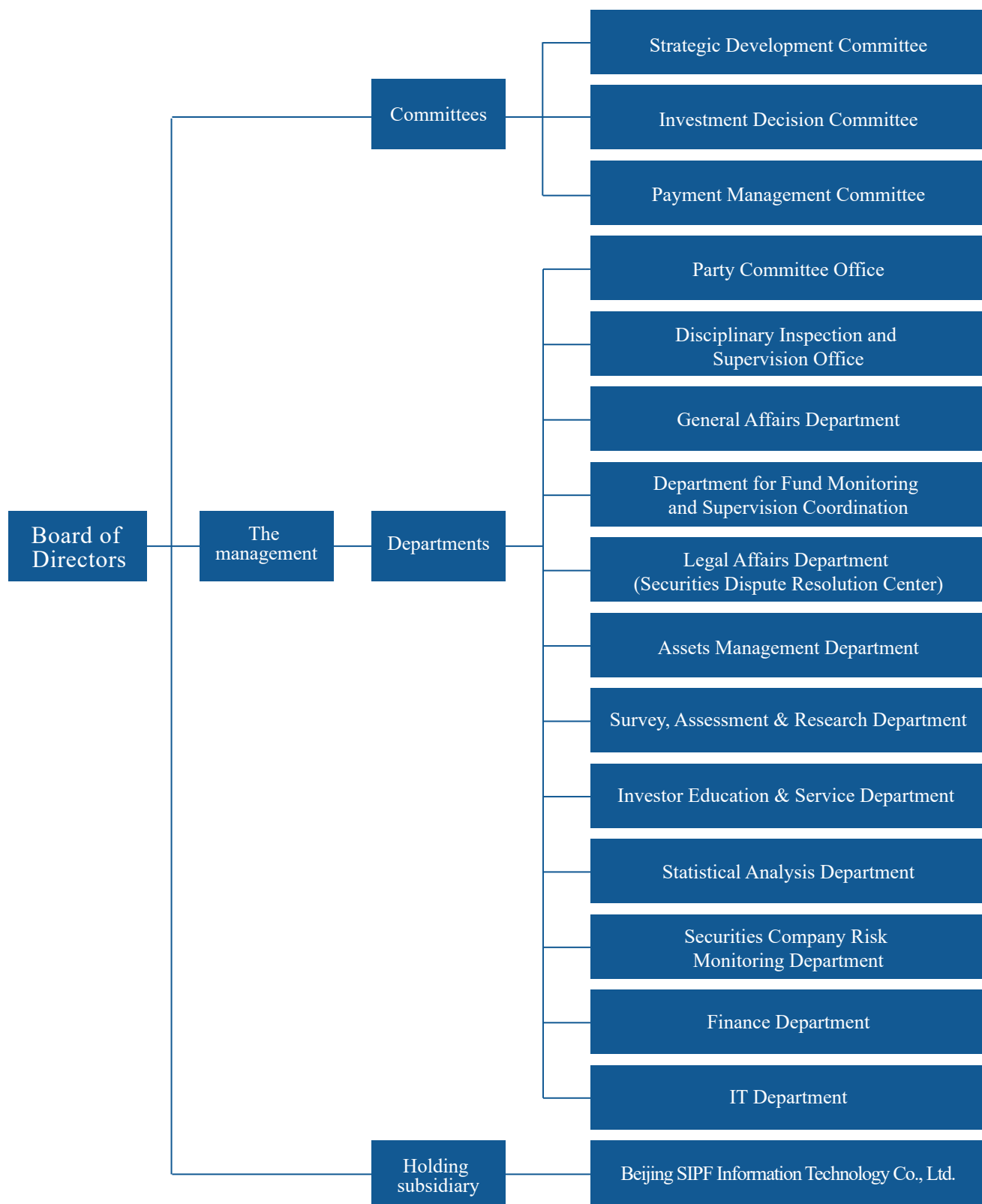


## MAIN FUNCTIONS

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, introduce diverse mechanisms for securities & futures dispute resolution, manage administrative settlement funds and reward the reporting. In October 2018, upon approval by the State Council, investor protection funds could be used for liquidity assistance of securities companies.

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, supporting and facilitating the securities regulation 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 the legitimate rights and interests of investors and supporting the ancillary service supervision.

## 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.

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

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

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 management of administrative settlement funds and special compensation funds related to investor protection, securities and futures dispute resolution, promotion of legislation related to securities investor protection, SIPF's legal affairs and relevant publicity, international cooperation and exchange.

Responsible for investment of proprietary and protection funds, disposal of risks related to the securities companies under disposition, management and disposal of compensated assets of the securities companies under disposition, routine management and coordination of companies held or participated by SIPF, routine work of the Investment Decision Committee, promotion of IP-related work, and routine work of the labor union.

Responsible for investor and market player survey, preparation and release of diversified confidence index system, assessment and analysis of capital market investor protection, compilation of Blue Book on Chinese Capital Market Investor Protection, management of publications on investor protection and research on key subjects, as well as routine work of the Strategic Development Committee.

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

Responsible for routine statistic, inquiry and analysis, study on SIPF's data, 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; construct a monitoring system to monitor securities companies for liquidity risk and other risks; 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.

## INTRODUCTION AND ORGANIZATION

### **Beijing SIPF Information Technology Co., Ltd**

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Beijing SIPF Information Technology Co., Ltd., established in August 2006 with registered capital at RMB 125 million, is a subsidiary under China Securities Investor Protection Fund Corporation Limited (hereinafter “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 2019**



## I. Continuing to improve the risk warning function of the monitoring and supervision system, and building the most influential risk monitoring platform for securities companies in the capital market

1. Steadily proceeding with fund monitoring and warning to timely report risk clues to relevant regulatory authorities. First, throughout 2019, SIPF timely referred their fund security problems and clues to relevant CSRC branches. Second, SIPF timely issued warnings on typical and universal problems found in monitoring. Third, SIPF strengthened typical case training and problem reports to give warnings, compiled and published A Selection of 2018 Cases and the Case Reports, and trained more than 300 people of securities companies and custodian banks. Fourth, SIPF continuously reinforced supervision cooperation and information sharing, and improved the security of investors' funds in the new situation.



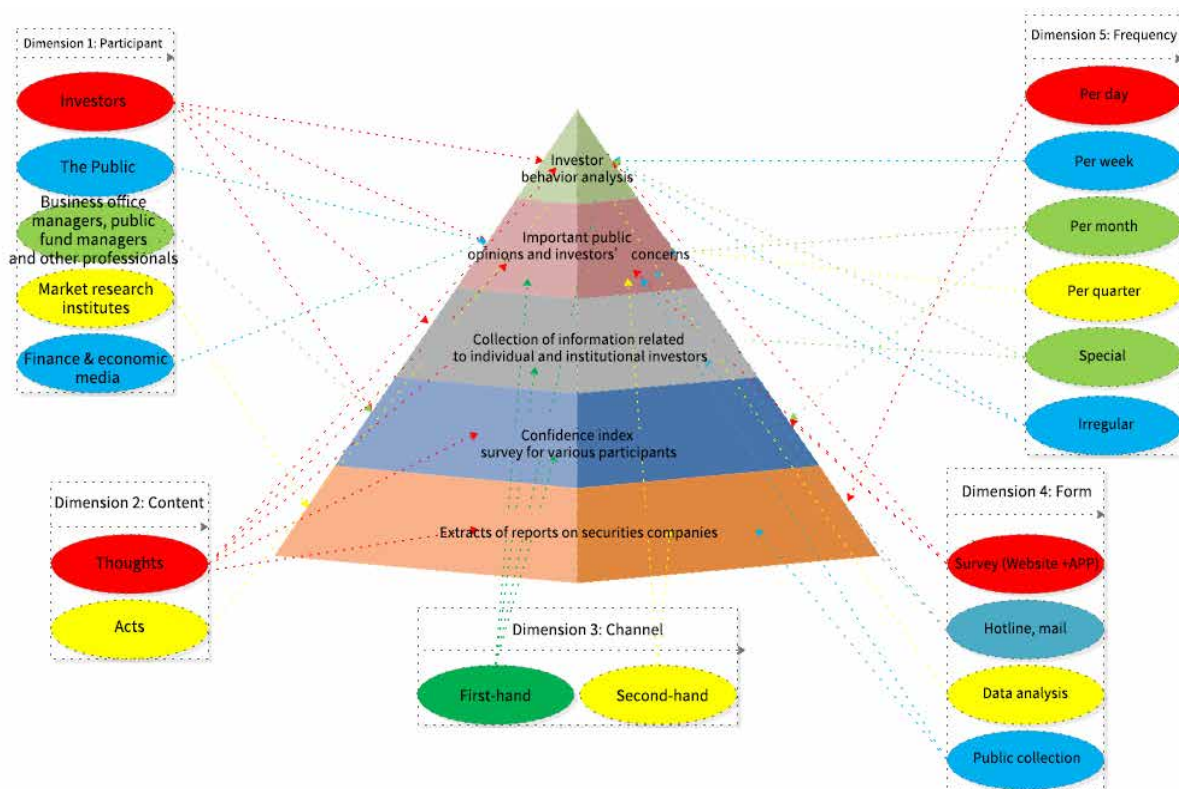
Training Course on the Transaction Settlement Fund Monitoring System

2. Monitoring risks in key areas and business to timely report major security issues such as bond repo overdraft and judicial freeze and deduction. First, SIPF timely found and reported the bond repo transaction overdrafts caused by the reduction of the standard bond conversion rate. Second, SIPF timely found and reported the problems of freezing, suspending and stopping payment to the special deposit account for clients' transaction settlement fund. Third, SIPF timely found and reported fund management and control problems of securities companies in the process of handling fund consignment, OTC, quotation, etc. Fourth, SIPF timely found and reported security management problems of clients' credit transaction guarantee fund of securities companies.



3. Increasing support for market and institutional innovation to help deepen reform of the capital market. First, SIPF realized the “synchronous monitoring on the launch of the Sci-Tech Innovation Board”, and implemented special monitoring of the funds of the Sci-Tech Innovation Board investors. Second, SIPF monitored the Shanghai and Shenzhen 300 ETF options, and implemented special monitoring of the funds of option investors. Third, SIPF realized special monitoring of newly established public funds. Fourth, SIPF realized special monitoring of the funds of securities companies’ spot foreign exchange trading business. Fifth, SIPF completed the security companies’ monitoring system access or access preparation.

4. Paying close attention to market situation, focusing on the liquidity risk monitoring and warning of securities companies, and preventing and resolving risks in the securities industry. First, SIPF established a securities company liquidity risk monitoring system from the perspective of industry level, risk-taking institutions and key risks, formed a normalized monitoring and warning mechanism. Second, SIPF monitored and analyzed from the perspective of cross-year, year, month, and listed securities companies, and formed a liquidity risk monitoring and reporting system. Third, in combination with regulatory requirements and market focus, SIPF monitored and analyzed business risks such as stock pledge, credit debt, non-standardized debt asset management, and asset-liability maturity mismatch, and enriched risk monitoring and reporting product system.



“Five-Dimension Information Collection” System

5. Steadily pushing forward the securities company liquidity support to help prevent and resolve systemic financial risks in the securities industry. First, SIPF set up an emergency working group for securities company liquidity risks to comprehensively push forward the securities company liquidity support. Second, SIPF conducted special researches on financial institutions' financing interest rates, liquidity risk management, collateral management, etc. Third, SIPF established a series of rules and regulations. It formulated the *Provisions on the Administration of Liquidity Support by the Securities Investor Protection Fund* with regulatory authorities, and drafted the Rules of SIPF for the Securities Company Liquidity Support Business (for Trial Implementation) to provide system support and instructions for liquidity support. Fourth, SIPF completed the construction of Securities Company Risk Analysis and Liquidity Support System 1.0, and improved the systematization and informatization of RegTech. Fifth, SIPF improved the working mechanism of risk monitoring that is jointly discussed, developed, managed and shared by all parties in the market, and gave full play to the role as the three platforms of risk prevention research, industry risk management exchange and improvement, and supervision and market dialogue.



Securities company liquidity risk analysis and liquidity assistance system

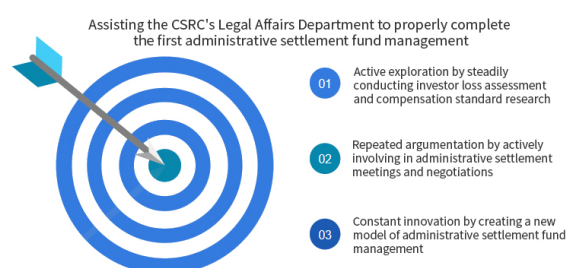


6. Strengthening multi-party cooperation for joint supervision to better support the reform, development and stability of the capital market. First, SIPF deepened cooperation with CSRC branches. As of now, it has signed the MOUs with 20 CSRC branches, focusing on cooperation in securities company risk monitoring and investor protection, and has provided risk information of regional securities companies and analysis reports on investor protection of regional listed companies for CSRC branches. Second, SIPF strengthened contacts with industry institutions. It provided individual risk information for securities companies to remind them to focus on key risks.



## II. Steadily advancing the construction of a multilevel compensation system, and building China's most influential mediation center for securities and futures disputes.

1. Working hard to manage the administrative settlement fund and further improving the compensation and relief system for investors in the capital market. In 2019, SIPF participated in 2 negotiations regarding the administrative settlement fund. In these two cases, SIPF has completed the fund management of the Goldman Sachs and Gao Hua Securities case, which is the first administrative settlement case in Chinese capital market. It continues to promote the administrative settlement for Shanghai Citol case.



2. Assisting the Enforcement Bureau to reward the whistleblowing, and helping its first successful application in the securities field in China. SIPF developed the work plan of whistleblower program, registered a designated e-mail account, and officially launched the column of “Report & Reward” on its official website. It issued the internal confidentiality rules and processing procedures for whistleblowing & reward, and cooperated with the Enforcement Bureau to implement the Regulations on Rewarding the Whistleblowing of Illegal Clues of Securities and Futures.



3. Creating a characteristic dispute mediation mechanism based on its function positioning. Relying on its professional advantages, system advantages, and practical advantages accumulated in handling group securities disputes in advance compensation, and centering on cases of securities disputes over misrepresentation, SIPF actively participated in the “one-to-many” group securities dispute resolution in key regions, and assisted with the judicial adjudication. It created a one-stop characteristic dispute mediation mechanism of “intelligent platform + demonstration judgment + centralized mediation + escrow account”, continued to promote the construction of online service platform for investor damages compensation, and achieved remarkable results in promoting the diversified resolution of securities disputes. SIPF established a long-term cooperation mechanism with more than 10 city courts, actively practiced the entrusted mediation under the demonstration judgment, and successfully mediated more than 700 cases of securities disputes over misrepresentation of listed companies, involving a total amount of more than RMB 100 million.

持续深化“赔偿专用共管账户”模式被京沪法院写入司法规范性文件



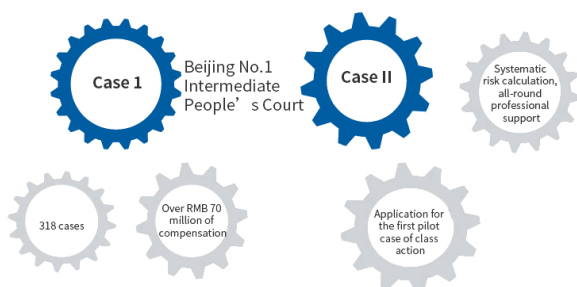
The “escrow account” mode created by SIPF was written into the Opinions of the Beijing Higher People's Court on Fairly and Efficiently Resolving the Group Securities Disputes According to Law(Trial) and the Implementation Opinions of the Shanghai Financial Court on Serving and Guaranteeing the Establishment of the STAR Market and the Launch of the Pilot Program of Reform on the Registration System, becoming a special mediation mechanism confirmed by judicial normative documents.

4. Making breakthroughs in key cases to help resolve securities disputes. First, SIPF innovated the “escrow account” mode and achieved positive results. Entrusted by the Hangzhou Intermediate People's Court, SIPF further innovated and improved the “escrow account” mode in a case with respect to misrepresentation by a listed company with extensive market influence, and made breakthroughs in mediation. As of the end of 2019, it reached more than 300 preliminary mediation agreements, with a total



amount of nearly RMB 20 million. This case is the first successful practice of “model judgment + entrusted

>> Taking the lead in practicing the “model judgment + entrusted mediation” mode and achieving breakthroughs



mediation” mode after the issuance of the Opinions on Comprehensively Advancing Establishment of Diversified Resolution Mechanism of Securities and Futures Disputes by the Supreme People's Court and CSRC and under the mechanism of case registration. Second, SIPF continued to mediate cases entrusted by the courts under the demonstration judgment. Entrusted by Beijing No.1 Intermediate People's Court, SIPF mediated cases of securities

disputes over misrepresentation by a listed company. In the course of mediation, SIPF made use of its advantages in the aspect of fund administration and investor loss calculation and worked innovatively, and practiced the mediation mode of “escrow account” for the first time, and finally mediated more than 300 cases with an amount of more than RMB 70 million in total. The mediation of this case has been basically completed.

5. Making full use of its special advantages to support and assist with the judicial adjudication. In 2019, SIPF focused on the cases of securities disputes over misrepresentation, made full use of its years' professional advantages, and actively exported technology to provide technical support for key regions and key courts. Throughout 2019, it calculated a total of more than 2,000 cases of securities disputes over misrepresentation, involving RMB 140 million. Relying on its computing system, SIPF provided technical support and decision-making reference for the case trial by Beijing No.1 Intermediate People's Court and other courts as well as the CSRC's relevant decisions and arrangements from roughly overall calculation and case loss calculation.

6. Improving the mediation mechanism and building a collaboration platform to help the diversified resolution of securities disputes. In 2019, SIPF recruited famous scholars and experts from the CSRC system and the industry as mediation guidance members and the second batch of mediators, which enriched the mediation team and improved the discussion and negotiation mechanism. It also actively played its role as a think tank, focused on the key and fundamental problems of



securities disputes, conducted in-depth exchanges with 9 courts, including the Shanghai Financial Court, and convened more than 10 symposiums by virtue of top resources in the CSRC system and the industry to help the diversified resolution of securities disputes.

7. Actively promoting system construction to respond to major concerns of all walks of life. In 2019, SIPF actively advanced the construction of online service platform for investor compensation to effectively safeguard the interests of investors and facilitate investors to timely obtain compensation for damages. At present, it has established a loss calculation system, basically realized the automation of loss calculation, and preliminary constructed an online mediation platform system, striving to achieve the full process function of online mediation.

### III. Sparing no effort to promote the construction of investor survey and assessment system, and building a high-quality survey and assessment brand with the most capital market characteristics

1. Preparing and publishing the 2018 Whitepaper on Investor Protection in Chinese Capital Market, and providing the market and investors with professional investor protection “reference book” and “service manual” from the perspective of independent third party. First, SIPF constantly met the needs of capital market reform and development, integrated international assessment standards, latest regulatory requirements and social expectations into the assessment scope, continued to improve the indicator system, adhered to the third-party assessment principle, and effectively enhanced the scientificity and reference value of the Whitepaper. Second, SIPF released the Whitepaper on the first “5.15 National Investor





Protection Publicity Day”, carried out all-round, multi-angle and three-dimensional publicity, introduced expert interpretation mechanism for the first time, and achieved good publicity results. Third, the market recognition of the Whitepaper was significantly improved, and its application value was further deepened. The Whitepaper was referenced by legal experts, financial courts and market institutions as authoritative conclusions and was used by investment education bases as the authoritative material for investor education. It played a positive role in urging and guiding the participants to improve investor protection.



2. Conducting targeted, multi-level investor protection assessment of listed companies, and enhancing investor protection. First, SIPF completed the special analysis reports on cash dividend, stock pledge, and

goodwill impairments of A-share listed companies in 2018, providing reference for regulatory authorities to further prevent and resolve the potential risks of listed companies, improve the quality of listed companies, and enhance investor protection. Second, SIPF conducted special assessment on investor protection of regional listed companies for the first time, provided assessment data on investor protection of regional listed companies

#### Multi-level analysis of investor protection of listed companies

Quality assessment of listed companies	Quarterly analysis model	Special study	Assessment by regions
<ul style="list-style-type: none"> <li>• Cash dividend</li> <li>• Stock pledge</li> <li>• Goodwill impairments</li> </ul>	The observation results of assessment model indicators are applied to the regional analysis report.	Providing reference for the implementation of the quality improvement action plan of listed companies.	Producing 22 regional analysis reports and giving risk warnings to over 300 listed companies.

for 22 CSRC branches, promoted assessment results to serve listed companies to discover problems in time, and actively enhanced investor protection. Third, SIPF fully adopted the opinions of regulatory authorities, selected corporate governance, information disclosure, value creation, financial quality and other indicators, and explored the construction of a quarterly assessment model for listed companies. Fourth, SIPF completed the important study on the Corporate Governance and Moral Hazards of Listed Companies, and explored to construct the assessment indicator system of moral hazards of listed companies.

3. Effectively promoting the national securities market survey and continuing to maintain the channels for investors to participate in the construction of the capital market. First, SIPF successfully completed the key special surveys on the reform of the New Third Board, the establishment of Sci-Tech Innovation Board and the launch of the pilot program on the registration system and the GEM reform, and comprehensively and accurately reflected the views, opinions and suggestions of investors in the important window period of capital market reform. Second, SIPF continued to conduct regular monthly and annual surveys on multi-subject confidence, investors' hot issues, opinions and concerns, investor satisfaction, market information collection, and protection of investors as main market players, providing data support for regulatory authorities to improve investor protection system construction and objective survey results for investors. Third, SIPF established a sample database of Sci-Tech Innovation Board investors in China, covering more than 4000 individual and institutional investors, providing a basic research tool for continuous observation, comparison and analysis of the status of high-net-worth investors. Fourth, SIPF opened a survey and assessment result query platform, providing the market and investors with objective survey and assessment conclusions.



Online release of the Whitepaper on Investor Protection in Chinese Capital Market

4. Carrying out the unified investor behavior structure analysis to provide accurate investor dimension information for improving capital market system and ecological environment. First, SIPF released the 2018 Survey of the Status of Stock Market Investors in China to provide a multi-dimensional "investor description" for fully understanding the characteristics of Chinese investors. Second, SIPF formulated the Quarterly Investor Behavior Structure and Psychological Expectations Analysis Scheme to observe changes in behavior structure and psychological expectations of



different types of investors on a quarterly basis, so as to facilitate regulatory authorities, self-regulatory organizations and market institutions to timely understand investor psychological expectations.

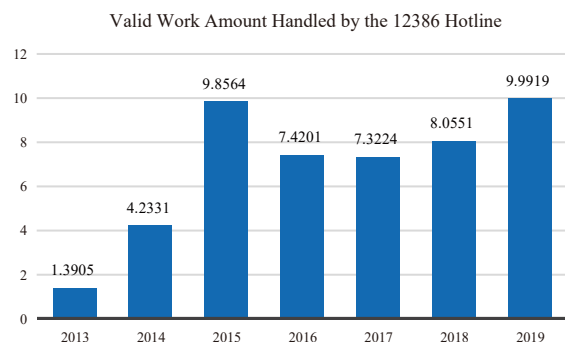
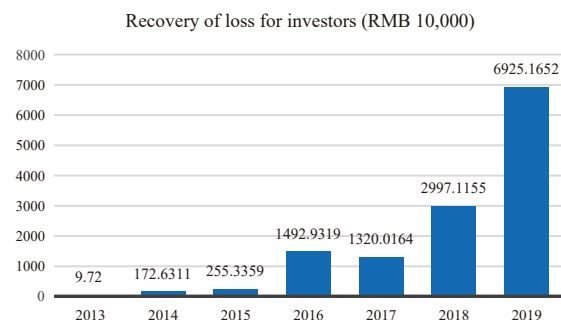
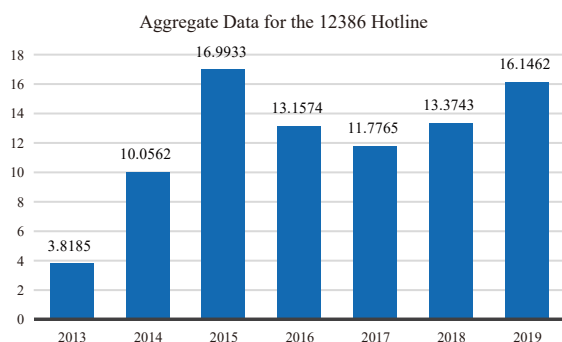
#### **IV. Promoting the construction of a response system to investors' opinions and concerns in an all-round way, and building an influential hotline data analysis platform**

1. Continuing to enhance the service quality and efficiency of the CSRC 12386 hotline. The 12386 hotline recovered losses of RMB 69,251,600 for investors in 2019, and cumulatively recovered losses of RMB 131 million, with investor satisfaction reaching more than 85%. It actively cooperated with the CSRC in the authorization management of the 12386 hotline, and fully and independently undertook the daily operation and management of the 12386 hotline. Meanwhile, SIPF further extended the pilot of direct transfer of complaints via the 12386 hotline from 3 head offices of market operation entities to over 330 head offices and their 8,000+ branches, reduced complaint handling time from an average of 2-3 months in the past to an average of 16 working days, significantly improving the efficiency of handling complaints.



Yan Qingmin, member of Party committee and Vice Chairman of the CSRC,  
visits the workplace for the 12386 Hotline

2. Digging into the hotline data to assist in regulatory decisions. SIPF regularly reported hotline appeals, and timely wrote special reports on complaints and hot issues of high concern to investors, involving off-floor financing, violent fluctuations in hotline appeals in May and June and other related matters, providing first-hand data for regulatory decisions.



3. Strengthening technology empowerment and continuously improving the hotline appeal response efficiency. SIPF launched the intelligent hotline upgrading project, built 12386 SMS platform for investors, continuously optimized 12386 hotline system, and carried out the revision of 12386 hotline service webpage, to make better use of hotline to serve investors.

4. Fully cooperating with the CSRC to carry out special investor education activities. According to CSRC's overall arrangement, SIPF completed 4 special investor education activities, i.e. "Approaching Sci-Tech Innovation Board Together", "515 Investor Protection Publicity Day", "2019 World Investor Week by IOSCO" and "2019 Private Fund Investor Education Special Work", with remarkable results.

5. Implementing convenience measures, and developing the "survey and assessment result query

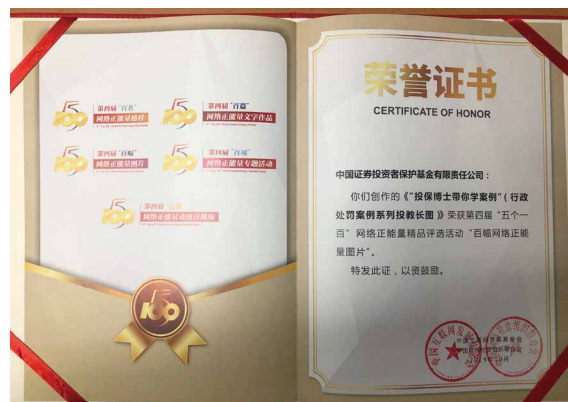


Innovation Board and Preventing Investment Risks

module" on the website and mobile phone. SIPF provided a convenient query channel for investors to protect their own rights and interests, investor confidence, and opinions on hot issues in the market, which effectively enhanced investors' sense of participation and gain.



6. Enhancing the development of investor education products, and continuously improving the effectiveness of investor education. First, SIPF independently developed 19 types of investor education products in 5 categories, covering hot issues for investors such as the Sci-Tech Innovation Board, private fund and 12386 hotline. Second, SIPF released 70 long pictures on investor education jointly produced with the Administrative Sanctions Committee, with more than 33 million views, and won the “Five 100 Online Positive Energy Images” in the 4th Online Positive Energy Selections jointly held by China Internet Development Foundation and China Federation of Internet Societies.



7. Strengthening the transformation of survey and assessment results. SIPF transformed the results into special webpages, investor education products, and various items that is appealing to investors, and released them through various channels to continue to enhance investors' sense of being concerned and gain, and pass positive energy of the capital market.

## V. Promoting the construction of the investor protection fund raising and management system at multiple levels, laying a solid foundation for risk prevention and investor protection, and further exerting effect on investor protection fund

1. Ensuring that the investor protection fund was collected on time and in full, and strictly implementing the fund raising policy. As of the end of 2019, SIPF raised a total of RMB 4.268 billion of investor protection funds, which were all put into the treasury in accordance with regulations to achieve full collection and safe custody.

2. Making refinement in investor protection fund operation to ensure the maintenance and appreciation of state-owned assets. Throughout 2019, SIPF realized gains of RMB 2.725 billion in total, with an annual yield of 3.42%, and a total fund scale reached RMB 92.661 billion at the end of the year, which was significantly higher than the benchmark three-year deposit rates of Central Bank, laying a solid foundation for further exerting the funds and expanding the range of application.



3. Taking the initiative to ease the burden of securities companies by reducing the contribution ratio of investor protection fund in 2019. If the losses of securities companies in 2018 reached the condition of reducing the contribution ratio, SIPF actively applied to the CSRC to reduce the contribution ratio by 40.16%. Based on the operating income of securities companies in the first half of 2019, the total amount of reduction was approximately RMB 1.384 billion, effectively easing the operation burden of securities companies.

4. Strengthening securities company risk disposal to maintain the stable development of the capital market. First, SIPF completed fund appropriation and payment carefully. It released protection funds to RMB China Securities to purchase the activated dormant accounts and single capital accounts of the former Huaxia Securities, and to handle related matters of Huaxia Securities from pre-declaration to formal declaration. Second, SIPF wrote off the receivables of 10 disposed securities companies including China Eagle Securities. Third, SIPF continued to advance the bankruptcy process of disposed securities companies, sent personnel to attend creditors' committee meetings and creditors'



meetings, and voted on the bankruptcy property distribution plan. Fourth, SIPF carried out the update of alternative database of new special audit institutions in an orderly manner.

## **VI. Promoting full and strict governance over the SIPF, significantly improving the comprehensive management level, and bringing all work to a new stage**

1. Strengthening the cadre team building, intensifying the ability training, and developing “specialists” in all business lines. SIPF set strict recruitment standards, and recruited 29 talents, further enriching business positions; clarified promotion prospects, and promoted 8 key employees to the leading positions, further improving the flexible employment mechanism, and motivating cadres; laid emphasis on personnel training, and organized more than 50 various types of learning and training, with over 3,000 participants; improved the cadre rotation and secondment mechanism, and put pressure on young staff to make progress in positions with tough tasks.

2. Strengthening institutional building and implementing requirements for comprehensive and strict management of cadres. SIPF revised a number of personnel systems, such as measures for staff appraisal management, regulations on appraisal and employment for positions and ranks, regulations on selection and appoint-

ment of cadres, salary management measures, and strengthened the management of approval and recordation on the company leaders' absence.

3. Actively promoting international exchanges to help open to the capital market. In 2019, SIPF made three visits, and continued to enhance communication and exchanges with the International Organization of Securities Commissions, the Financial Conduct Authority and other overseas regulatory agencies.



Visit to ASX for exchange

4. Promoting intellectual property work and enhancing the SIPF's innovation and influence. At present, SIPF has completed applications for 4 trademark rights and 5 software copyright, and another 17 trademark rights have entered the stage of substantive examination. Meanwhile, it is actively promoting the application for one technical patent.

5. Proceeding with information construction and enhancing competitiveness. SIPF formulated its information construction plan and technological engineering construction plan, explored new high-tech means to build an IT platform with sound organization system, efficient system operation and sufficient protection of information security, and constantly improved its technology-based and intelligent supervision. It deployed and established the external network virtualization cloud platform to improve the efficiency and security of system operation, and set up a technology research laboratory to energize the company's long-term development with technology.



Visit to Inspur Science and Technology Park

6. Helping the capital market fight against poverty. SIPF has donated “love package” campaign of China Foundation for Poverty Alleviation for 10 consecutive years, and donated the CSRC’s special funds for poverty alleviation for 5 consecutive years. In response to the call of the Party Central Committee, it investigated Tibet, Sichuan and other severely impoverished areas, and took advantage of its manpower, financial and material resources to help these areas fight against poverty.







## STATISTICAL FORMS

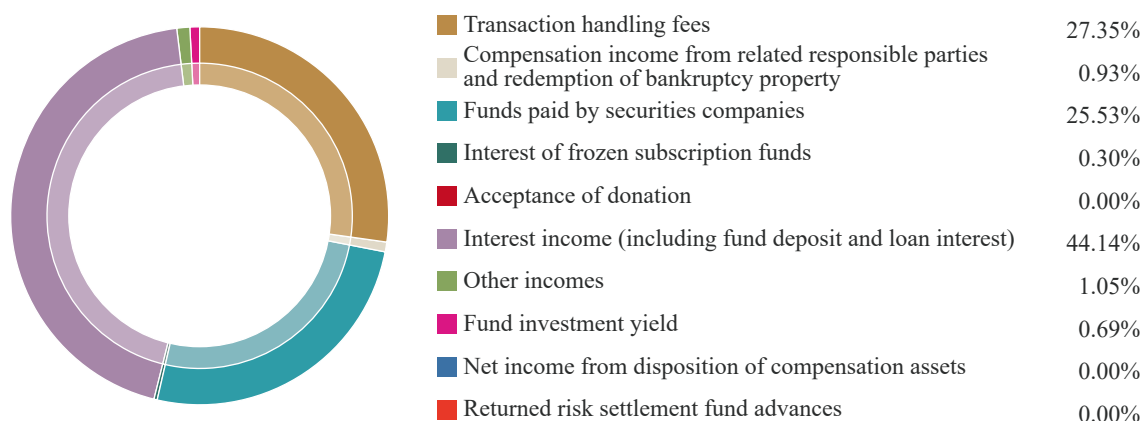
## STATISTICAL SUMMARY

### [Protection Fund Raising and Using]

In 2019, RMB 8,870.3 million was raised, including RMB 2,425.7 million from transaction handling fees, accounting for 27.35%; RMB 2.2642 billion from funds paid by securities companies, accounting for 25.53%; RMB 27 million from the interest of frozen subscription funds, accounting for 0.30%; RMB 3,915.6 million of interest income (including fund deposit and loan interest), accounting for 44.14%; RMB 61.6 million from fund investment yield, accounting for 0.69%; RMB 82.8 million from compensation income from related responsible parties and redemption of bankruptcy property, accounting for 0.93%; and RMB 93.4 million from other incomes, accounting for 1.05%.

In 2019, SIPF cumulatively spent RMB 2,173.3 million, with RMB 2 million for risk disposal, RMB 26.1 million for risk monitoring and RMB 2,145.2 million for other expenses.

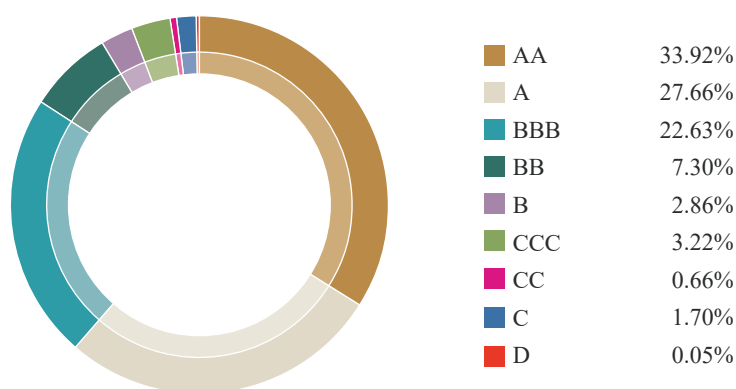
Chart 1 Funds Raised in 2019



### [Securities Company Classification and Fund Payment]

In 2019, securities companies had paid RMB 2,264.2 million to SIPF in accordance with percentages set by the CSRC, including RMB 768 million from securities companies of category AA, RMB 626.3 million from securities companies of category A, RMB 512.4 million from securities companies of category BBB, RMB 165.3 million from securities companies of category BB, RMB 64.7 million from securities companies of category B, RMB 72.9 million from securities companies of category CCC, RMB 14.9 million from securities companies of category CC, RMB 38.4 million from securities companies of category C, and RMB 1.2 million from securities companies of category D.

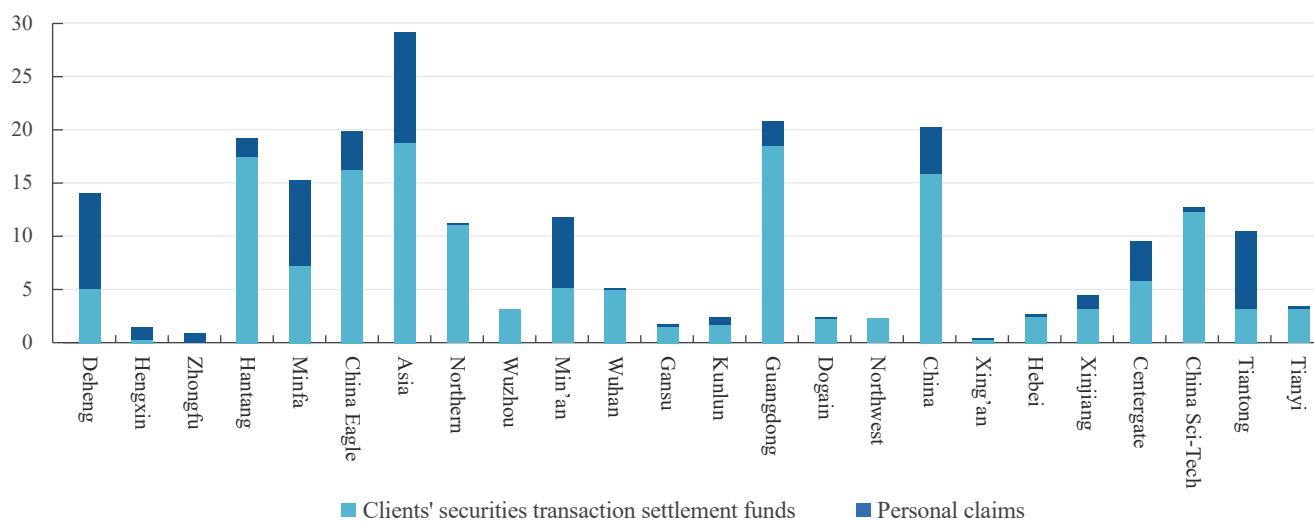
Chart 2 Securities Company Classification and Fund Payment



### [Issuance of Protection Fund by SIPF]

By the end of December 2019, SIPF had issued a total of RMB 22,530.2 million of protection fund to 24 disposed securities companies, including RMB 16,274.6 million to fill the gap of clients' securities transaction settlement funds, accounting for 72.23%, and RMB 6,255.6 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]

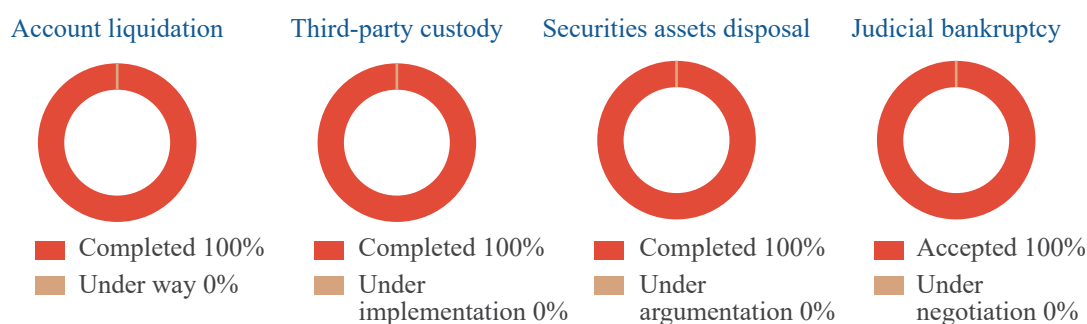
Account liquidation: by the end of December 2019, account liquidation had been finished for 24 disposed securities companies, accounting for 100% (24 companies, the same as below).

Third-party custody: by the end of December 2019, 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 2019, the transfer of securities assets had been finished for 24 disposed securities companies.

Judicial bankruptcy: by the end of December 2019, 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 2019, 24 securities companies had entered into bankruptcy proceedings. SIPF had received RMB 4,354.8 million in cash (including RMB 6.5 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	2019	Item	Line	2019	2018
I. Re-lending from the People's Bank of China				3. Fund using	18	21.733	21.983
1. Beginning balance of re-lending deposit	1			(1) Risk disposal expenses	19	0.020	0.077
2. Re-lending obtained	2		-	(2) Risk monitoring expenses	20	0.261	0.259
3. Net interest income from re-lending deposit	3		-	(3) Entrusted fund management fee	21	-	
4. Re-lending utilized (minus: the amount returned)	4		-	(4) Management fee of fund management institutions	22	-	
5. Ending balance of re-lending(5=1+2+3-4)	5		-	(5) Fund transaction fee	23	-	
				(6) Fund investments	24	-	
				(7) Interest payment for PBC re-lending	25	-	
II. Funds raised by SIPF				(8) Principal payment for PBC re-lending	26	-	
1. Beginning balance of fund deposit	6	687.734	618.993	(9) Other expenses	27	21.452	21.647
2. Funds raised	7	88.703	90.724	4. Ending fund balance(28=6+7-18)	28	754.703	687.734
(1) Transaction handling fees	8	24.257	19.462	III. SIPF bond issuance			
(2) Funds paid by securities companies	9	22.642	27.787	1. Beginning balance of deposit of bond issuance	29		
(3) Interest of frozen subscription funds	10	0.270	0.090	2. Revenue from bond issuance	30		
(4) Acceptance of donation	11	-		3. Funds used for bond issuance	31		
(5) Interest income (including fund deposit and loan interest)	12	39.156	38.098	4. Ending balance of deposit of bond issuance (32=29+30-31)	32		
(6) Fund investment yield	13	0.616	4.835	IV. Total fund raising and using			
(7) Compensation income from related responsible parties and redemption of bankruptcy property	14	0.828	0.430	1. Beginning balance (33=1+6+29)	33	687.734	618.993
(8) Net income from disposition of compensation assets	15	-		2. Funds raised (34=2+3+7+30)	34	88.703	90.724
(9) Returned risk settlement fund advances	16	-		3. Funds used (35=4+18+31)	35	21.733	21.983
(10) Other incomes	17	0.934	0.022	4. Ending balance (36=33+34-35)	36	754.703	687.734

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	0.50%	7.680
	A	0.50%	6.263
B	BBB	0.75%	5.124
	BB	0.75%	1.653
	B	0.75%	0.647
	CCC	1.00%	0.729
C	CC	1.00%	0.149
	C	1.00%	0.384
D	D	1.25%	0.012
Total	131		22.642

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 SIPF to pay the funds to SIPF based on its operation income.

# Business Report

Table 3 Issuance of Protection Fund by SIPF

Unit: RMB 100 million

S/N	Company disposed	Amount approved by the State Council			Amount of personal claims acquired by the central government (4)=(3)*90%	Issuance of protection fund by PBC re-lending			Issuance of protection fund by the funds raised from market				Remaining amount	
		Total amount (1)=(2)+(3)	Clients' securities transaction settlement funds (2)	Personal claims (3)		Clients' securities transaction settlement funds (5)	Personal claims (6)	Clients' securities transaction settlement funds		Personal claims		Clients' securities transaction settlement funds (9)=(2)-(5)-(7)	Personal claims (10)=(3)-(6)-(8)	
								Current new	Accumulative	Current new	Accumulative			
1	Deheng Securities	21.620	7.440	14.180	12.762	5.075	7.319			1.732	2.365	5.129		
2	Hengxin Securities	2.090		2.090	1.881	0.278	0.979	0.033		0.260	-0.311	0.851		
3	Zhongfu Securities	3.750	1.660	2.090	1.881		0.825			0.106	1.660	1.159		
4	Hantang Securities	27.250	24.310	2.940	2.646	17.520	1.349			0.389	6.790	1.202		
5	Minfa Securities	21.040	11.350	9.690	8.721	7.008	8.021	0.298		0.0002	4.044	1.668		
6	China Eagle Securities	22.210	18.160	4.050	3.645	15.983	2.727	0.275		0.916	1.902	0.407		
7	Asia Securities	39.140	23.260	15.880	14.292	17.500	10.088	1.329		0.242	4.431	5.550		
8	Northern Securities	13.030	11.480	1.550	1.395	11.070	0.0004			0.068	0.410	1.482		
9	Wuzhou Securities	4.230	4.130	0.100	0.090	3.068		0.179			0.883	0.100		
10	Min'an Securities	6.660	5.760	0.900	0.810	4.950	6.603	0.207		0.087	0.603	-5.789		
11	Wuhan Securities	5.890	5.806	0.084	0.076	4.908	0.045	0.106			0.792	0.039		
12	Gansu Securities	0.890	0.660	0.230	0.207	1.518	0.234	0.004		0.022	-0.861	-0.027		
13	Kunlun Securities	2.600	1.740	0.860	0.774	1.749	0.688				-0.009	0.172		
14	Guangdong Securities	21.730	18.730	3.000	2.700	17.897	2.289	0.671		0.010	0.162	0.701		
15	Dogain Securities	1.900	1.840	0.060	0.054	2.290	0.009	0.029		0.010	-0.478	0.041		
16	Northwest Securities	2.690	2.560	0.130	0.117	2.344					0.216	0.130		
17	China Securities	20.080	16.080	4.000	3.600	14.428	3.774	1.473		0.630	0.178	-0.404		
18	Xing'an Securities	2.790	2.550	0.240	0.216	0.292	0.013	0.009			2.249	0.227		
19	Hebei Securities	3.700	3.690	0.007	0.006	2.433	0.050	0.048			1.209	-0.043		
20	Xinjiang Securities	5.710	3.970	1.740	1.566	2.929	1.295	0.288			0.753	0.445		
21	Centergate Securities	12.190	6.840	5.350	4.815	5.250	3.746	0.570			1.020	1.604		
22	China Sci-Tech Securities	17.180	16.220	0.960	0.864	11.848	0.459	0.441		0.019	3.931	0.482		
23	Tiantong Securities	16.220	5.030	11.190	10.071	2.714	7.209	0.550		0.037	1.766	3.944		
24	Tianyi Securities	7.920	5.030	2.890	2.601	3.185	0.304			0.0002	1.845	2.585		
	TOTAL	282.510	198.296	84.211	75.790	156.237	58.027	6.510		4.529	35.549	21.656		

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	Deheng 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	Hongxin 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	Nanling Minhe Public Accounting Firm	Completed	Completed	13	Transferred	Shanghai Securities	Completed	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 Tianjun Huatian Accountants Firm	Completed	Completed	22	Transferred	CINDA Securities	Completed	Shenzhen Intermediate People's Court	7-Sep-07	
5	Minfa Securities	16-Oct-04	CSRC Fujian Branch	29	Orient Company	Orient Company	Xiamen Tianjun Huatian Accountants Firm	Completed	Completed	29	Transferred	Dongxing Securities	Completed	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	Completed	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	Minan Securities	10-Jun-05	CSRC Guangdong Branch	17	Guosen Securities	Beijing King & Wood Mallesons	Beijing Zhongxingyu CPA	Completed	Completed	17	Transferred	Guosen Securities	Completed	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 Lausced & Tian Law Firm	Debate Touche Tohmatsu CPA Ltd.	Completed	Completed	9	Transferred	Haitong Securities	Completed	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	Completed	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	Completed	Guangzhou Intermediate People's Court	2-Jan-08	
15	Dogain Securities	25-Nov-05	CSRC Beijing Branch	13	Guoyuan Securities	Lantai Partners	Beijing Xinghuan CPA	Completed	Completed	13	Transferred	Guoyuan Securities	Completed	Beijing No.1 Intermediate People's Court	15-Sep-07	
16	Northwest Securities	9-Dec-05	CSRC Ningxia Branch	20	Nanjing Securities	JunZe-Jun Law Office	Xiamen Tianjun Huatian Accountants Firm	Completed	Completed	20	Transferred	Nanjing Securities	Completed	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 Tianjun Huatian Accountants 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	Completed	Urumchi Intermediate People's Court	26-Feb-08	

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 online company	Status	Transferee	Status	Competent court	Date Announcement	
21	Centergate Securities	24-Feb-06	Shenzhen Commissioner office	14	Essence Securities	Beijing JinCheng TongDa & Nail 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	Completed	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	Completed	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	Completed	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 Shanxi Branch	12	Western Securities	Beijing King & Wood Mallesons	-	Completed	Completed	12	Transferred	Western Securities	Accepted	Xinan 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	Xinai 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	Bankrupt Company	Claims Confirmed	Estimated Payment		Claims Paid				Remarks	
			Min.	Max.	Cash Paid	Stocks Paid				Rate of Payment
						Name	Number	Value		
1	Deheng Securities	16.100	0.41%	0.57%						
2	Hengxin Securities	1.718	1.66%	3.53%	0.048			2.81%		
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%	Claims Confirmed include 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	14.951	63.01%	69.27%	3.922	Stock 1	14,008,381	3.506	69.27%	Claims Confirmed include 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%	0.393			12.59%		
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%	Claims Confirmed include 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%	Claims Confirmed include claims transferred from SIPF	
15	Dogain Securitie	2.349	3.56%	3.56%	0.084			3.56%		
16	Northwest Securities	2.241	23.30%	35.00%	0.349	Stock 1	2,708,541	0.290	30.06%	
						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%	100% paid for acquisition fund appropriated by SIPF and declared interest	
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	Centergate 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%	1.977			17.73%		
24	Tianyi Securities	3.511	10.00%	50.00%	1.554			44.28%		
Others	Southern Securities	15.580	62.00%	78.00%	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	0.065			Stock 1	90,406	0.022			
					Stock 2	348,032	0.038			
	Xinhua Securities	2.829			3.00%	8.00%	0.039			
	TOTAL	252.359			43.548			18.867		

Note: 1. The value of stocks paid is equal to the per-share price set by the court in the distribution plan multiplied by the number of stocks to be distributed.

2. Estimates of SIPF claims had been adjusted on the basis of the actual distribution, so that data provided above is more consistent with the actuality of securities companies concerned.

## 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, SIPF claims, special audit, and intermediary institutions involved in risk disposal, and investor interaction, 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 RMB 1.5 billion from the central government special funds. On December 25, 2003, there was RMB 259.6 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 RMB 100 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 mention 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-posessed 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 RMB 1.5 billion used by China Southern Securities are paid to SIPF who has the right of subrogation. And special compensation funds of securities market of RMB 259.6 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, 2019.